

**TOWN OF HERNDON, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED**  
**JUNE 30, 2009**

Prepared by the  
Department of Finance

# TOWN OF HERNDON, VIRGINIA

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# TOWN OF HERNDON

Steve J. DeBenedittis, Mayor  
Connie Hutchinson, Vice Mayor  
Richard F. Downer  
Dennis D. Husch  
David A. Kirby  
William B. Tirrell, Sr.  
Charlie D. Waddell

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Mary K. Tuohy, CPA  
Director of Finance

November 30, 2009

The Honorable Mayor, Members of the Town Council and Citizens of the Town of Herndon, Virginia

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Town of Herndon, Virginia, for the fiscal year ended June 30, 2009. The Herndon Town Charter, Section 4.2 (f), requires that the Town Manager arrange for an annual audit by a certified public accountant. In addition, Section 15.2-2511 of the *Code of Virginia* requires that all counties, cities and towns with populations greater than 3,500 as well as all towns with a separate school system, regardless of size, have their accounts and records audited annually as of June 30 by an independent certified public accountant in accordance with the specifications furnished by the Auditor of Public Accounts of the Commonwealth of Virginia. This report is formally submitted to you in fulfillment of those requirements.

The financial statements included in this report, which have earned an unqualified audit opinion, conform to the standards of financial reporting as prescribed by the Governmental Accounting Standards Board (GASB), the Government Finance Officers Association of the United States and Canada (GFOA), and the Auditor of Public Accounts.

Town management is responsible for the accuracy, fairness and completeness of the information, including all disclosures that are presented in this report. To the best of our knowledge, the enclosed data is believed to be accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds of the town. All necessary disclosures have been included to enable the reader to gain a thorough understanding of the town's financial affairs.

Town management is also responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the town are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America.

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Department of Finance

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The town's financial statements have been audited by PBGH, LLP, a certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the town for the fiscal year ended June 30, 2009 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by town management; and evaluating the overall financial statement presentation. The independent auditors' report is presented as the first component of the report's financial section.

## **PROFILE**

The Town of Herndon, located in the northwest quadrant of Fairfax County, has a land area of 4.28 square miles and is situated twenty-three miles west of Washington, D. C. Incorporated in 1879, the town originally relied on dairy farming and the railroad to provide its economic security. The town was at one time in the heart of Northern Virginia's important dairy farming community. And, until the past forty years or so, it remained essentially a quiet country village where well-to-do Washingtonians rode the railroad to summer vacation homes. Since that time, the town's economic and demographic makeup has changed quite dramatically. The estimated 2009 population is now 23,476 persons, housed in 7,798 dwelling units. If the town is developed according to the adopted Comprehensive Plan (master plan), it is anticipated that the 2030 population will increase to approximately 26,270 and 8,726 dwelling units.

The town is organized under the council/manager form of government. The Town Council, in its role as governing body, formulates policies for the proper administration of the town. The Mayor and six members of the Council are elected simultaneously for two-year terms. The Council appoints a Town Manager to be the administrative head of the town. The manager is charged with directing all business affairs of the town.

The town provides the usual general governmental services for its citizens that are typical of towns in Virginia. These include public works and utilities; parks and recreation; police protection; community development; a neighborhood resources center and other administrative services. In Virginia, incorporated towns are an integral part of the county in which they are located. The citizens of the town, therefore, pay Fairfax County property taxes (real estate and personal property), in addition to town taxes. In exchange, Fairfax County provides public education, certain technical and special education, health and social services, mental health assistance, fire and ambulance service, judicial services, correctional facilities and additional recreation activities and facilities.

## **FACTORS AFFECTING FINANCIAL CONDITION**

### **Local Economy**

Several economic and demographic factors heavily influence the town's revenue stream. These include current and projected inflation rates, unemployment rates, retail sales volumes, new construction activities, real estate sales transactions, population movements and income per capita. For the past several years, Fairfax County has ranked in the top echelon of large U.S. counties with the highest median household incomes. The amount for calendar year 2007 was estimated at \$105,241. In fall 2006, the town was named one of the "best affordable suburbs" in the nation by *Business Week* magazine. And in summer 2009 the editors at *Money Magazine* ranked Herndon, Virginia as the eighth "best place in the nation for the rich and single."

The national economy has officially been in recession since December 2007 and indicators do not point to a recovery until sometime in 2010. While the Northern Virginia region is faring better than much of the country, there are increasing signs of economic weakness, especially in the area of unemployment. The average annual job loss in Northern Virginia in 2007 was 4,100. However, in December 2008, the Northern Virginia job loss was estimated to be 15,100. Further, the Northern Virginia's regional economy is expected to be essentially flat in 2009 on an inflation adjusted basis. Modest growth of 0.5 percent is anticipated in 2010, after which the economy is projected to rise moderately from 3.2 to 4.8 percent per year. Anticipated increases in federal spending will fuel the growth predicted from 2010 through 2013.

In recent years, Fairfax County launched an aggressive regional tourism campaign, spear-headed by the opening of the Air and Space Museum at Washington Dulles International Airport in December 2003. The campaign includes destinations across the County including Herndon and its affects have become evident as more tourism and business travel dollars are spent in the town. In the recent past, job growth and a tightening labor market helped keep the economy resilient, though recent higher unemployment rates and financial difficulties within the housing sector have impacted the growth rate for certain town taxes, permits and fees. It is anticipated that these negative impacts will become even more pronounced over the next two fiscal years.

The long-range economic goal of the town is to continually attract new enterprises and encourage expansion of existing business already located in the town. Beginning in 1991, development and utilization of the Worldgate complex has provided a significant economic stimulus to the town. More recently, growth in federal spending and information technology and subsequent economic influence has bolstered real estate, general sales, consumer utility, and business, professional and occupational licenses tax revenues. Today, approximately 9.3 million square feet of commercial and office floor space exists in the town which supports an estimated 25,300 jobs. In 2009, the Herndon business community encompasses a wide spectrum, from home-based occupations to Fortune 500 headquarters; from small ethnic, family-owned grocery stores to computer software development; telecommunications; Internet and Internet-related services; and defense and homeland security firms.

The town's location close to Washington Dulles International Airport provides a major stimulus for commercial development. The airport itself is in the midst of a multi-billion dollar capital construction project that, when completed, will result in a redesigned facility that can accommodate significant increases in air traffic. In fact, the entire Dulles Corridor, in which the town is centrally located, is on the cusp of a new era of growth. Over the next 25 years, population in the Dulles Corridor is expected to increase 45 percent and job growth increase by 63 percent. This growth potential, along with steady increases in the number of new national defense and security-related businesses, will have a positive influence upon the town and its economic stability.

The town's 2030 Comprehensive Plan addresses the redevelopment of the areas surrounding access to the Herndon-Monroe rail station at the southern edge of the town. This transit station is part of Phase 2 of Dulles Rail, a project that is expected to bring the Washington area MetroRail system (dubbed the "Silver Line") to the Herndon area by 2016. The connection by rail of the town and its commercial districts to the entire metropolitan Washington region creates a vastly enhanced marketplace that will likely have broad appeal to businesses. By the year 2020, the projected non-residential floor area will be almost ten million square feet, supporting an estimated 27,000 jobs.



The financial stability and the future economic growth potential of the town is considered sound and is further assured by the long range planning and goals established by the elected officials and staff. Other key attributes that ensure financial stability include professional management in the day-to-day administration of all town functions and services and conservative budgetary practices.

## **Budget**

The Town Manager is required by the *Code of Virginia* to prepare and present to the Town Council a proposed budget no later than April 1 of each year. The Town Council is required to adopt a budget prior to July 1 and shall fix a tax rate for the budget year at that time. A brief synopsis of the budget as proposed by the Town Manager is published at least once in a newspaper with general circulation within the town. Additionally, notice is given of one or more public hearings at least ten days prior to the public hearing. The public hearing provides citizens of the town an opportunity to attend and comment on the recommended budget. After the Town Council approves the annual budget, the Town Manager has the authority to approve the intra and inter departmental transfer of funds up to \$30,000. Transfer amounts in excess of \$30,000 as well as any addition, deletion or transfer of reserved funds can only be accomplished with the approval of the Town Council. Budgetary control is maintained at the department level with all departments having on-line access to expenditure account information. Additionally, departments are provided periodic updates of comprehensive financial data for each activity center within the department. These reports display approved budget amounts, detailed item-by-item expenditure and encumbrance transactions, transfers, and remaining budget balances.

Additional budget control is maintained within the town's purchasing system. Prior to the release of a purchase order to a vendor, funds must be encumbered. If the dollar amount of a purchase order request exceeds the allotment balance, the purchase order is not released until a proper transfer of funds has been approved and executed.

Written reports are presented to the Town Council throughout the year to keep them apprised of the town's financial activities. Included in the reports are narrative explanations of emerging trends for all major sources of revenues and expenditures.

## **Pension Trust Fund**

The Town of Herndon Police Supplemental Retirement Plan (the Plan), a defined contribution plan, supplements the Virginia Retirement System for the town's sworn police officers. The Plan is accounted for as a fiduciary fund of the town and is administered by the town. The Plan offers a variety of pay out options and is based upon the vested amount credited to the officer as of the date of retirement, resignation or death. The town's contribution rate is three percent of each covered police officers' annual salary. For fiscal year 2009, town contributions totaled \$133,672 and the fund's net asset value at June 30, 2009 was \$1,799,375.

## **Cash Management**

The town administers a comprehensive cash management and investment program. The primary goal of the program is to meet the town's daily cash needs with a minimum cash investment while increasing the amount of cash available for investment purposes. The program seeks to minimize credit and market risks while maintaining a competitive yield for the town's portfolio. Cash temporarily idle during the fiscal year was invested in money market accounts,

certificates of deposit, U.S. government and agency securities, repurchase agreements, bankers' acceptances, commercial paper, the State Treasurer's Local Government Investment Pool (LGIP) and other approved investment instruments. During fiscal year 2009, the town's total interest income for all funds, with the exception of the Pension Trust Fund, was \$1,942,113.

## **Risk Management**

The Town of Herndon has a risk management program, which includes employee-training programs centered on accident prevention, improving accident reporting procedures, and safety in the work place. During fiscal year 2009, numerous work place safety-training classes such as VDOT road flagger certification training and pesticide/chemical applications training were conducted. The Department of Public Works included regular weekly training sessions for all Public Works Complex staff which covered topics required by OSHA regulations, defensive driving reminders as well as other special safety concerns. In addition, both Parks and Recreation and Herndon Police departments have detailed risk management programs addressing their respective activities. These programs constitute key components of each department's agency accreditation.

The town continues to promote wellness in the work place, with the goal of controlling health insurance costs and increasing employee productivity. Health articles covering such topics as coping with stress, fitting exercise into your daily life and establishing good eating habits appeared in the quarterly employee newsletters. The town's health insurance provider, United Health Care, also disseminated quarterly newsletters containing useful and informative articles and suggestions.

## **OTHER INFORMATION**

### **Independent Audit**

The town requires that an annual independent audit be conducted on its financial statements by a certified public accountant selected through a competitive procurement process. For the year ended June 30, 2009, the firm of PBGH, LLP was retained to perform this service. PBGH's reports on the financial statements and compliance matters are located in sections two and four of this report.

### **Awards**

#### **Tree City USA**

The Community Forest Division of the Department of Community Development received a Tree City USA award from the National Arbor Day Foundation. This is the twentieth consecutive year that the town has achieved this award, confirming the town's commitment to its tree canopy and environmental stewardship.

## **Parks and Recreation**

In October 2008, the Department of Parks and Recreation was named the winner in its population category for the Gold Medal for Excellence in Park and Recreation Management from the National Recreation and Park Society. Now a four-time Gold Medal winner, Herndon is one of only three jurisdictions nation-wide to achieve this distinction.

## **Herndon Centennial Golf Course**

The Herndon Centennial Golf Course achieved designation as a Certified Audubon Cooperative Sanctuary in fiscal year 2009, the 23<sup>rd</sup> golf course in Virginia and one of the fewer than 700 courses worldwide to receive the honor.

## **Certificate of Achievement for Excellence in Financial Reporting**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Herndon, Virginia, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008. This was the thirty-fourth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

## **Distinguished Budget Presentation Award**

GFOA has also awarded the town with the prestigious Distinguished Budget Presentation Award for the fiscal year beginning July 1, 2008. This is the eighteenth consecutive year that the town has achieved this honor. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communication device. In August 2009, the town's budget documents for the fiscal year beginning July 2009 were submitted to GFOA for consideration of another Distinguished Budget Presentation Award.

## **ACKNOWLEDGEMENTS**

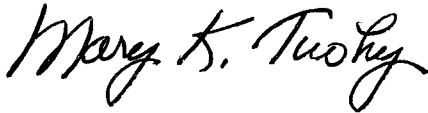
The Town of Herndon has established and continues to maintain a stable financial position through strong, progressive management of financial operations combined with sound accounting and financial reporting practices. Appreciation is expressed to the Mayor and the members of the Town Council for their support and guidance and for the responsible manner in which they exercise their financial stewardship of the town.

Finally, this report could not have been prepared without the dedication of the entire staff of the Department of Finance. We wish to express our appreciation to all who assisted in its preparation and to commend them for the professionalism they displayed throughout the year.

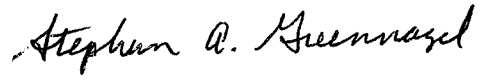
Respectfully submitted,



ARTHUR A. ANSELENE  
Town Manager



MARY K. TUOHY, CPA  
Director of Finance



STEPHAN A. GREENNAGEL, CPA  
Deputy Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Herndon  
Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2008

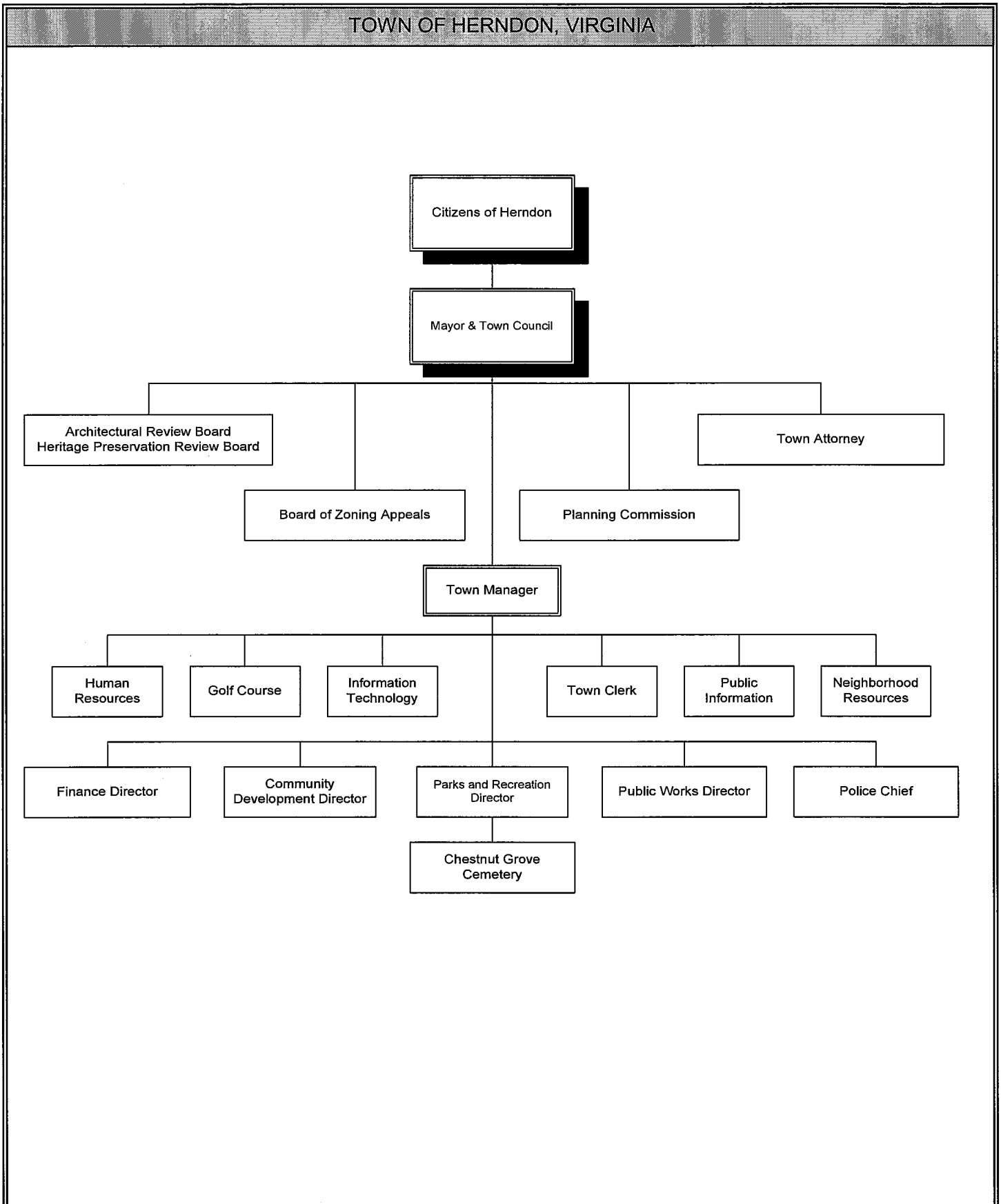
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

TOWN OF HERNDON, VIRGINIA  
TOWN ORGANIZATION  
FISCAL YEAR 2008-2009





## TOWN OF HERNDON, VIRGINIA

### *Enriching the Quality of Life and Promoting a Sense of Community*

#### Comprehensive Annual Financial Report Year Ended June 30, 2009

##### Directory of Officials

##### TOWN COUNCIL

###### **Mayor**

Stephen J. DeBenedittis

###### **Vice Mayor**

Connie Haines Hutchinson, Vice Mayor

Richard F. Downer  
Dennis D. Husch, Vice Mayor  
David A. Kirby  
William B. Tirrell, Sr.  
Charlie D. Waddell

##### MANAGEMENT TEAM

###### **Town Manager**

Arthur A. Anselene

###### **Town Attorney**

Richard B. Kaufman

William H. Ashton, II  
Robert B. Boxer  
Anne P. Curtis  
Gene A. Fleming  
Elizabeth M. Gilleran  
Cynthia S. Roeder  
Linda A. Simmons  
Toussaint E. Summers, Jr.  
Mary K. Tuohy

###### **Town Clerk**

Viki L. Wellershaus

Director of Information Technology  
Director of Public Works  
Public Information Officer  
Director of Golf Course Operations  
Director of Community Development  
Director of Parks and Recreation  
Director of Human Resources  
Chief of Police  
Director of Finance

###### **Independent Auditor**

PBGH, LLP

Prepared by the Department of Finance, Town of Herndon, Virginia







**TOWN OF HERNDON, VIRGINIA**

**[www.herndon-va.gov](http://www.herndon-va.gov)**

**FINANCIAL SECTION**



**TOWN OF HERNDON, VIRGINIA**

**[www.herndon-va.gov](http://www.herndon-va.gov)**

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of Council  
Town of Herndon, Virginia  
Herndon, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Herndon, Virginia (town), as of and for the year ended June 30, 2009, which collectively comprise the town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the town's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information of the town as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2009 on our consideration of the town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (pages 5 to 17) and the required supplementary information (page 65) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the town's basic financial statements. The supplementary information and supplemental schedules, as listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

PBGH, LLP

Harrisonburg, Virginia  
November 28, 2009

**Town of Herndon, Virginia**  
**Management's Discussion and Analysis**

The following discussion and analysis of the Town of Herndon, Virginia's (town) financial statements provides an overview of the town's financial performance for the fiscal year ended June 30, 2009. Users of these financial statements are encouraged to consider the information presented here in conjunction with the town's basic financial statements and the information furnished in the transmittal letter found on page i of this report.

**Financial Highlights**

- The assets of the town exceeded its liabilities at the close of the fiscal year by \$114.9 million (*net assets*). Of this amount, \$25.0 million (*unrestricted net assets*) may be used to meet the town's ongoing obligations to citizens and creditors.
- The town's total net assets decreased during the fiscal year by approximately \$1.6 million. This is related primarily to decreases in the net value of capital assets due to depreciation and amortization charges. This impact was mitigated to some extent by the addition of a net \$1 million in new capital. Also affecting the year-end balance of total net assets was a decrease in such current assets as cash and temporary investments and receivables.
- Conversely, total capital assets (exclusive of depreciation) increased by \$1 million with the initiation or completion of several major capital projects, such as construction of the police sally port; installation of streetlights along South Elden Street and completion of the final design and engineering plans for the Town Shop addition. These projects as well as equipment purchases and additional infrastructure (such as streets, curbs, gutters, sidewalks, storm drainage facilities, and water and sewer mains) constructed by the town or donated by developers were added to the town's capital assets listing.
- As of the close of the current fiscal year, the town's governmental funds reported combined ending fund balances of \$15.4 million, an increase of \$187,000 from the previous fiscal year. Approximately 52% of the fund balance, which is \$8.0 million, is *available for spending* at the town's discretion (*unreserved, undesignated fund balance*).
- At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$7.1 million, or almost 23% of total General Fund expenditures, excluding transfers out of the fund.
- With debt service payments made during the year, the town's outstanding principal balances for total bonded debt decreased by \$1.9 million. The amount outstanding at June 30, 2009 was \$20.5 million.

**Overview of the Financial Statements**

The discussion and analysis is intended to serve as an introduction to the town's basic financial statements. These basic financial statements consist of two different types, each of which presents a different view of the town's finances. The government-wide financial statements provide both long-term and short-term information about the town's overall financial condition. The fund financial statements focus on the operation of the individual funds that make up the town's government. The basic format used to display fund statement information is more detailed than the government-wide statements. The third component of the town's basic financial statements is the notes, which appear after the fund statements.

**Town of Herndon, Virginia**  
**Management's Discussion and Analysis**

## **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide a broad overview of the town's finances, in a manner similar to private sector financial reporting. The first government-wide statement - the Statement of Net Assets – presents information on all of the town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial health of the town is improving or declining. In addition, nonfinancial factors, such as a change in the town's real estate assessment values or the condition of the town's facilities and infrastructure, should be considered in assessing the overall financial health of the town.

The second statement - the Statement of Activities – presents information showing how the town's net assets changed during the most recently concluded fiscal year. Changes in net assets are captured and reported as soon as the underlying event giving rise to the change occurs, regardless of when the cash is actually received or paid. Thus, certain revenues and expenses are reported in this statement for items that will result in cash flows for future periods (e.g., uncollected taxes and earned, but unused, employee annual leave).

Both government-wide financial statements segregate functions of the town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a substantial portion of their expenses through user fees and charges (business-type activities). The government-wide financial statements are segregated as follows:

Governmental Activities - Many of the activities, programs and services traditionally identified with government are reported here. These activities and services are Legislative, Administration, Town Attorney, Parks and Recreation, Finance, Community Development, Police and Public Works. These activities are financed primarily through property taxes, other local taxes, charges for services, and intergovernmental revenues (federal, state and local grants).

Business-type Activities - The town has four business-type activities, which are the Water and Sewer Fund (provides customers with water distribution and sewer conveyance); the Golf Course Fund (provides recreational golfing opportunities for citizens); the Chestnut Grove Cemetery Fund (operates and manages the Chestnut Grove Cemetery); and the Downtown Parking Enterprise Fund (operates and manages the town's Public Shared Parking program). These funds charge a variety of user fees which are dedicated to support a majority, if not all, of fund expenses.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the town's more significant funds. A "fund" is a grouping of related accounts that is used to maintain control over resources, which have been segregated for specific activities or purposes. The town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Town of Herndon, Virginia**  
**Management's Discussion and Analysis**

Governmental funds – Most of the town's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out; and (2) the balances remaining at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that assists financial statement users in determining whether there are more or fewer financial resources available in the near future to finance the town's programs and services.

Proprietary funds – These funds are used to account for the operation of services and activities that are financed in a manner similar to private business enterprises. Thus, costs generated by providing the activity or service are recovered primarily through user charges. Proprietary fund financial statements, like the government-wide financial statements, provide both a short-term and long-term financial view. The town uses *enterprise funds* (one type of proprietary fund) to account for the activities of the Water and Sewer Fund, Golf Course Fund, Chestnut Grove Cemetery Fund and Downtown Parking Enterprise Fund.

Fiduciary fund – A fiduciary fund is used to account for resources (e.g., assets) held for the benefit of a party outside of town government. The town is responsible for ensuring that the assets reported in the fund are used for their intended purpose. The town's fiduciary activities are reported in a separate statement of fiduciary net assets. The town excludes these activities from the town government-wide financial statements because the town cannot use these assets to finance its programs.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are located in the third section of this report and titled "Notes to the Financial Statements".

Financial Analysis of the Town as a Whole

A comparative analysis of government-wide information is as follows:

**Statement of Net Assets:**

As previously described, net assets may serve over time as a useful indicator of the town's financial position. For the most recently concluded fiscal year, the town's assets exceeded its liabilities by \$114.9 million. About 22% of the town's net assets are unrestricted and available to meet the town's ongoing obligations to citizens and creditors. The larger net asset subcomponent, labeled "Invested in capital assets, net of related debt", reflects the town's investment in capital assets (e.g., land, infrastructure, buildings, improvements, machinery and equipment, and construction in progress, net of accumulated depreciation), less any related debt used to acquire those assets that is still outstanding. The town uses its capital assets in providing services to its citizens; consequently, these assets are not readily available for future spending. Although the town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets would not likely be used to liquidate these liabilities.

During the fiscal year, the town's governmental net assets decreased by \$883,000 when compared to the prior fiscal year. This decrease can be attributed to the net decline in overall value of capital assets due to the effects of depreciation and amortization charges. Also declining were unrestricted assets due to normal operating results.

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Total net assets reported in connection with the town's business-type activities also declined. This decrease was \$729,000 and represents a 2% reduction in net assets from the previous fiscal year, due to net operating losses for three of the town's four enterprise funds (i.e., Water and Sewer Fund with a net loss of \$737,000; Golf Course Fund with a net loss of \$12,000; and Chestnut Grove Cemetery with a net loss of \$132,000). Further analysis concerning the nature of these losses is discussed on the next page under "Business-type Activities".

Table 1 below presents a summary Statement of Net Assets for fiscal year 2009 in comparison to the previous fiscal year:

**TABLE 1  
Summary Statement of Net Assets  
June 30, 2009 and 2008  
(in thousands)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Current and other assets	\$ 25,572	\$ 26,857	\$ 16,229	\$ 16,433	\$ 41,801	\$ 43,290
Capital assets, net	89,553	91,835	19,033	19,539	108,586	111,374
<b>Total assets</b>	<b>115,125</b>	<b>118,692</b>	<b>35,262</b>	<b>35,972</b>	<b>150,387</b>	<b>154,664</b>
Current and other liabilities	10,454	11,549	2,135	1,982	12,589	13,531
Non-current liabilities	19,581	21,170	3,342	3,476	22,923	24,646
<b>Total liabilities</b>	<b>30,035</b>	<b>32,719</b>	<b>5,477</b>	<b>5,458</b>	<b>35,512</b>	<b>38,177</b>
Net Assets:						
Invested in capital assets, net of related debt	72,604	72,924	15,948	16,309	88,552	89,233
Restricted	1,298	1,269	-	-	1,298	1,269
Unrestricted	11,188	11,780	13,837	14,205	25,025	25,985
<b>Total net assets</b>	<b>\$ 85,090</b>	<b>\$ 85,973</b>	<b>\$ 29,785</b>	<b>\$ 30,514</b>	<b>\$ 114,875</b>	<b>\$ 116,487</b>

**Statement of Activities:**

**Governmental Activities**

**Revenues:** For the fiscal year ended June 30, 2009, revenue from governmental activities totaled \$32.8 million. Sources of revenue for fiscal year 2009 are comprised of many different types with taxes constituting the largest source of town revenues. In addition, the town received capital grants and contributions totaling \$1.2 million. Major grant-related capital projects completed this year were the installation of streetlights along South Elden Street; completion of a traffic light optimization study; and remaining reimbursements for the first phase of the Downtown Streets Improvement capital project.

Though real estate taxes constitute the largest tax source to the town, the town also assesses other local taxes and fees that are primarily consumer-related. These other local revenue sources are consumer utility taxes, bank stock taxes, cigarette taxes, business license (BPOL) fees, transient occupancy (hotel/motel) taxes, meals taxes and the town's share of the local sales tax.



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Collections from the state's 5% communications tax are counted among the Town's local revenue sources. As anticipated, collections from many of the town's local taxes remained essentially flat or declined in comparison to the previous fiscal year. The current situation reflects the downturn in the regional economy and became quite evident by fall 2008.

Expenses: Expenses for governmental activities, including interest on debt service, totaled \$33.7 million. As indicated in Table 2, the town's three largest and highest priority programs (other than general government administration which actually represents four functional areas) are police, public works and parks and recreation. These three programs, when taken together, comprise 75% of total governmental expenses.

### **Business-type Activities**

The town has four business-type activities, which are segregated and accounted for as enterprise funds. During the current fiscal year, business-type activities decreased the town's net assets by \$729,000. The following highlights center on the financial activities of these enterprise funds:

Water and Sewer Fund: Total operating and nonoperating revenues amounted to \$6,099,000, with water and sewer availability fees of \$520,000 accounting for almost 9% of total revenues. Interest earnings for the fund totaled \$947,000. Operating expenses of the fund, which totaled \$6,836,000, included wholesale sewer conveyance charges (\$2.22 million), wholesale water purchases (\$1.48 million) as well as \$608,000 in installment payments toward the purchase of an additional 1.0 million gallons per day (MGD) of water capacity from Fairfax Water. The fund's net assets decreased during the fiscal year by \$(662,000).

Golf Course Fund: Total operating and net nonoperating revenues amounted to \$1,519,000. Operating revenues during the current fiscal year decreased about 2% when compared to the previous fiscal year. For the current fiscal year, a total of 32,800 rounds of golf were played which is a decrease of 6% from the previous fiscal year. Operating expenses of the fund, which totaled \$1,486,000, included personal costs, turf maintenance and other operating supplies, depreciation costs and other miscellaneous expenses. Given the 6% decline in rounds of golf played, the fund's net assets decreased \$(12,000) by fiscal year end.

Chestnut Grove Cemetery Fund: Total operating and net nonoperating revenues amounted to \$459,000 and represents an increase of 25% over the previous fiscal year. A large portion of the increase is attributed to increased sales of cemetery sites, interment services and merchandise sales. During the year, the cemetery sold 147 interment lots, and performed 133 burials. Sales of monuments and other memorializing products also fare well during the year and enjoyed a 63% increase over the previous fiscal year. Operating expenses totaled \$591,000 and included depreciation expenses attributed to the administration and maintenance buildings. At the conclusion of the fiscal year, the fund's net assets decreased by \$(85,000).

Downtown Parking Enterprise Fund: Total operating and net nonoperating revenues amounted to \$95,000 and consisted of annual parking maintenance fees and interest earning on outstanding public shared parking promissory notes. A promissory note that had been previously considered doubtful in terms of eventual collection was partially recovered during the fiscal year by the developer. The commercial project now appears more likely to occur. Interest earnings for the fiscal year included the payment of a portion of the interest in arrears due from this developer. Operating expenses of the fund totaled \$66,000 and included depreciation expenses. At the conclusion of the fiscal year, the fund's net assets increased by \$29,000.

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The following table summarizes the changes in net assets for the town for the fiscal years ended June 30, 2009 and 2008:

**TABLE 2**  
**Changes in Net Assets**  
**Years Ended June 30, 2009 and 2008**  
**(in thousands)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 4,040	\$ 3,751	\$ 6,384	\$ 6,418	\$ 10,424	\$ 10,169
Operating grants and contributions	1,981	2,991	520	523	2,501	3,514
Capital grants and contributions	1,165	1,014	75	41	1,240	1,055
<b>Total program revenues</b>	<b>7,186</b>	<b>7,756</b>	<b>6,979</b>	<b>6,982</b>	<b>14,165</b>	<b>14,738</b>
<b>General revenues:</b>						
General property taxes	11,305	11,396	-	-	11,305	11,396
Other local taxes	12,353	12,713	-	-	12,353	12,713
Use of money and property	1,406	1,332	1,015	970	2,421	2,302
Intergovernmental non-categorical aid	43	63	-	-	43	63
Gain on sale of capital assets	-	52	-	-	-	52
Miscellaneous	529	275	368	282	897	557
<b>Total general revenues</b>	<b>25,636</b>	<b>25,831</b>	<b>1,383</b>	<b>1,252</b>	<b>27,019</b>	<b>27,083</b>
<b>Total revenues</b>	<b>32,822</b>	<b>33,587</b>	<b>8,362</b>	<b>8,234</b>	<b>41,184</b>	<b>41,821</b>
<b>Expenses:</b>						
General government administration	5,749	5,399	-	-	5,749	5,399
Parks and recreation	4,659	4,463	-	-	4,659	4,463
Community development	1,950	1,652	-	-	1,950	1,652
Police	9,257	8,759	-	-	9,257	8,759
Public works	11,230	11,278	-	-	11,230	11,278
Interest	814	876	-	-	814	876
Water and sewer	-	-	6,836	6,693	6,836	6,693
Golf course	-	-	1,530	1,564	1,530	1,564
Chestnut Grove cemetery	-	-	705	653	705	653
Downtown parking	-	-	66	278	66	278
<b>Total expenses</b>	<b>33,659</b>	<b>32,427</b>	<b>9,137</b>	<b>9,188</b>	<b>42,796</b>	<b>41,615</b>
Changes in net assets before transfers	(837)	1,160	(775)	(954)	(1,612)	206
Transfers	(46)	(82)	46	82	-	-
Changes in net assets	(883)	1,078	(729)	(872)	(1,612)	206
Net assets, July 1	85,973	84,895	30,514	31,386	116,487	116,281
Net assets, June 30	<b>\$ 85,090</b>	<b>\$ 85,973</b>	<b>\$ 29,785</b>	<b>\$ 30,514</b>	<b>\$ 114,875</b>	<b>\$ 116,487</b>

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**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

Governmental funds - The General Fund is the major governmental fund of the town. At the end of the current fiscal year, the unreserved, undesignated fund balance was \$5.6 million and represents 18% of the General Fund's total expenditures for fiscal year 2009. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior fiscal year, reserved for future fiscal year expenditures or restricted for other purposes. The fund balance of the town's General Fund increased by \$6,000 during the fiscal year, which is significant since the budgeted decline was projected at \$2,061,000. Key factors for this difference between budgeted and actual results are as follows:

- Various short-term and medium-term investment instruments assigned to the governmental funds earned approximately \$927,000 in interest earnings during the fiscal year. Unlike the previous fiscal year, the accounting and reporting requirements under GASB Statement Number 31 had a substantial effect, since the adjusted value of many of the town's investments were significantly above the corresponding market value at fiscal year end.
- Only one major local tax source (business license fees) enjoyed a significant increase over the previous fiscal year.
- The more common theme, though, was for major local tax sources to experience stagnant or moderate declines in comparison to the previous fiscal year. Tax sources which fell into this category were transient lodging taxes (with a decrease of 7%); local sales taxes (with a decrease of almost 9%); meals taxes (with a decrease of almost 5%); and the town's share of the state-wide 5% communications tax (with a decrease of almost 7%).
- Court fees remitted from Fairfax County were about the same as amounts collected during the previous fiscal year. As noted over the past several years, court fines are difficult to predict since the imposition of these fines is up to the discretion of the presiding judge. Some judges favor community service sentencing in lieu of monetary fines while others adhere to increased financial sanctions.
- Intergovernmental revenues, which totaled \$3,620,000, included grant reimbursements from Fairfax County for its agreed share of operating costs associated with the Neighborhood Resource Center and the Bilingual Housing Specialist grant. Also included were state grant reimbursements associated with the South Elden Street capital project. Federal grant reimbursements received were for the remaining segment of the first phase of the Downtown Streets Improvement capital project; the purchase of alternative fuel vehicles; and the completion of a traffic signal optimization study.
- Expenditures during the fiscal year included police overtime costs. To protect and reassure the general public, police presence continued to be directed to Town-sponsored activities and other community events. Slightly declining for the current fiscal year were fuel costs for the town's fleet of police cruisers.
- The fiscal year included expenditures related to outside legal counsel engaged to assist staff and Town Council in inter-jurisdictional issues. Also incurred during the fiscal year were costs for the town's contracted police prosecutions attorney.

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- Parks and recreation costs for the current fiscal year included staffing and operating costs associated with the Community Center operations, including the additional areas constructed under the Phase IV expansion. Also incurred were costs to replace aging recreation equipment and to acquire additional equipment and furnishings for further outfitting the new Phase IV program spaces.
- Current fiscal year costs include zoning enforcement staff in the Department of Community Development. The team of inspectors is charged with enforcing the town's zoning ordinances which deal with residential over-occupancy in neighborhoods.
- Costs in the Department of Public Works are related to the maintenance of town streets, sidewalks, storm drainage, grounds, buildings, park lands and other town-owned or town-managed facilities. Also included were costs for repair, maintenance and fuel for the town's fleet of vehicles and equipment.
- Debt service costs for the current fiscal year were almost \$303,000 less than the previous fiscal year primarily due a reduction in annual principal payments. The principal amount paid during the current fiscal year on the town's 1994 refunding bonds was \$240,000 less than the amount paid during the previous fiscal year.

Proprietary funds - The town's enterprise funds, which are a type of proprietary fund, provide the same type of information found in the government-wide financial statements, but in greater detail. At June 30, 2009 the unrestricted net assets for each of the four enterprise funds were as follows:

- Water and Sewer Fund with an amount of \$12,326,000
- Golf Course Fund with an amount of \$625,000
- Chestnut Grove Cemetery Fund with an amount of \$325,000
- Downtown Parking Enterprise Fund with an amount of \$560,000

Other factors concerning the finances of these four funds have already been addressed in the discussion of the town's business-type activities which appeared on pages 9 and 10.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The final amended budget appropriation, which includes expenditures and transfers out, was approximately \$1.21 million (or about 4%) more than the original budget. The increase is related to the town's only budget amendment which added the June 30, 2008 outstanding purchase orders and authorized reserves as July 1, 2008 carry-over appropriations.

Actual revenues were \$338,000 (about 1%) less than final budget amounts. With the exception of business license fees, much of this variance is related to the stagnant or (in some cases substantial) decline in other local taxes. A large variance of \$3.72 million between actual expenditures (including transfers out) and the final budget was due to several circumstances. Comparing the final budget to actual revenues and expenditures reveals the following highlights:

- Actual revenues from other local taxes were only 1% (\$140,000) above budgeted amounts. Noticeable collection declines for several consumer-sensitive revenue sources such as transient lodging taxes, meals taxes, local sales taxes and the State's 5% communications tax were evident.

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- Conversely, business license fees collected were substantially higher (at 21%) than the corresponding budget projection and garnered \$598,000 more than originally anticipated.
- Revenues from permits, privilege fees and regulatory licenses were slightly less than 9% above budgeted amounts. Current fiscal year collections increased considerably in comparison to previous fiscal year mostly due to the imminent construction of a new residential subdivision parallel to Van Buren Street and the W&OD Trail.
- Interest earnings and rental payments together were 9% above budget projections. Interest earnings from the investment of temporarily idle cash balances totaled \$431,000. The town's commercial property at 397 Herndon Parkway, which was fully leased by the end of the previous fiscal year, contributed \$479,000 in rental payments to the town.
- Actual revenue from charges for services was approximately 2% above budgeted amounts. This increase is attributed to recreation program revenues, which ended the fiscal year with \$54,000 more in actual revenues than initially anticipated.
- An anticipated VDOT grant reimbursement under the Revenue Sharing Program and a Regional Surface Transportation Program grant for the Herndon Parkway intersection study did not occur during the fiscal year. These two budgeted grant sources totaled \$660,000.
- Expenditure amounts for all operating departments (with the exception of grants) were less than the final budgets due to personnel vacancies, less than anticipated operating costs and delayed acquisition of vehicles and other capital equipment. Also impacting the final budget was the first budget amendment in July 2008 which established fiscal year 2009 carry-over appropriations for the June 30, 2008 outstanding purchase orders and authorized reserves.
- Budget amounts for grant expenditures did not include federal pass-through grants administered by the VDOT as well as a federal Department of Justice grant for police gang task force activities.
- Included in the town's final budget were transfers for various capital projects that either were deferred or will be funded directly in the future through state or federal grants. Thus, actual transfers out from the General Fund to the Capital Projects Fund were significantly less than originally anticipated

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**Capital Assets**

The town's investment in capital assets at June 30, 2009, which amounted to approximately \$108.6 million (net of accumulated depreciation and amortization), is summarized in Table 3. For comparative purposes, amounts from the previous fiscal year are also displayed.

**TABLE 3**  
**Capital Assets**  
**June 30, 2009 and 2008**  
**(In thousands)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>
Capital assets, not being depreciated:						
Land	\$ 25,609	\$ 25,609	\$ 3,418	\$ 3,418	\$ 29,027	\$ 29,027
Construction in progress	787	654	265	318	1,052	972
<b>Total capital assets, not being depreciated</b>	<b>26,396</b>	<b>26,263</b>	<b>3,683</b>	<b>3,736</b>	<b>30,079</b>	<b>29,999</b>
Capital assets, being depreciated:						
Infrastructure	74,300	74,129	-	-	74,300	74,129
Buildings	39,410	39,229	3,580	3,580	42,990	42,809
Improvements other than buildings	10,126	10,126	27,042	26,447	37,168	36,573
Machinery and equipment	10,223	9,670	2,477	2,459	12,700	12,129
Leasehold improvements	146	146	-	-	146	146
Furniture and fixtures	1,719	1,719	208	208	1,927	1,927
Intangibles	-	-	169	169	169	169
<b>Total capital assets, being depreciated</b>	<b>135,924</b>	<b>135,019</b>	<b>33,476</b>	<b>32,863</b>	<b>169,400</b>	<b>167,882</b>
<b>Less total accumulated depreciation</b>	<b>(72,767)</b>	<b>(69,447)</b>	<b>(18,126)</b>	<b>(17,060)</b>	<b>(90,893)</b>	<b>(86,507)</b>
<b>Total capital assets being depreciated, net</b>	<b>63,157</b>	<b>65,572</b>	<b>15,350</b>	<b>15,803</b>	<b>78,507</b>	<b>81,375</b>
<b>Capital assets, net</b>	<b>\$ 89,553</b>	<b>\$ 91,835</b>	<b>\$ 19,033</b>	<b>\$ 19,539</b>	<b>\$108,586</b>	<b>\$111,374</b>

During the fiscal year, the town incurred expenditures for several major capital projects and information systems improvements. Expenditures involving conceptual studies and initial design plans will, in all likelihood, result in the construction of major facilities and street infrastructure within the next several years.

Major capital expenditures incurred during the fiscal year were for the following capital projects:

- **Storm Drain Easements/Construction:** Construction of the Park Avenue storm drainage improvement was completed during the fiscal year. This project included the installation of reinforced concrete pipe, curb and gutter, and sidewalk.

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- **Traffic Signal and Automated Control Systems:** The town was successful in obtaining a VDOT grant to perform an optimization study of signal timing and length at five main intersections. This study, which was completed by fiscal year-end, was conducted by one of the town's traffic engineering and consulting firms.
- **Police Sally Port:** This building project of approximately 550 square feet is an addition to the department's existing building and provides for the secure transfer of detainees from police vehicles to the processing area within the police station. The project was completed on time and within the budget allocated.
- **Minor Road Construction:** A number of minor repairs and repaving of damaged street sections (as well as pothole repairs) were undertaken. Also included in the work plan were extensive repairs or replacements of damaged concrete curbs and gutters.
- **Town Shop Improvements:** Architectural and engineering designs for this approximately 5,000 square foot addition to the town shop maintenance facility was completed during the fiscal year. The design plans include an additional drive-through vehicle maintenance bay and two levels of additional storage space. The project was advertised in April 2009 and a contract awarded in June 2009. Construction is to begin at the start of the next fiscal year.
- **South Elden Street Improvements:** Additional street amenities were installed as part of this \$11 million road improvement project. The road-widening segments of this project were completed by VDOT in December 2006, using funds from federal, state and town sources. During fiscal year 2009, streetlights were installed. The last enhancement of this project is the installation of crosswalks, which is scheduled for fall 2009.
- **Pearl, Nash, Oak, Wood Streets Improvements:** This project addresses storm drainage, sidewalks and roadway improvements within an older neighborhood. Surveying was undertaken and a concept plan developed. Plans for the storm drainage system are expected to tie into an adjacent subdivision currently under construction.
- **Major Road Resurfacing:** Current fiscal expenditures represent the remaining segment of much larger project initiated during the previous fiscal year. The project provided major maintenance (repaving) of selected sections of the town's arterial street network through a cost-sharing program in conjunction with VDOT.
- **Information Systems Improvements:** Included as an integral component of the town's information systems and telecommunications master plan is the systematic replacement of older PC's, file servers and laptops on a lifecycle basis. During the fiscal year, approximately \$184,000 was expended on replacement of fifty older PC's, ten ruggedized field laptops used by police, and one file server. In addition, substantial attention was focused on completion of the town-wide Customer Relationship Management (CRM) service portal. The portal is expected to be ready for public use in fall 2009.
- **Sewer Pump Station Replacement Project:** The final portions of the sewer pump station reconstruction, which was initiated during the previous fiscal year, were completed. This sewer pump station serves the Four Season's neighborhood. Included in the project was the replacement of the two pumping units as well as all electrical and mechanical components.

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- **Waterline Replacement Projects:** Construction of the Runnymede Park water main was completed during the 2008 summer. Also undertaken were the final design plans and engineering specifications for replacing the Grace Street water main. This project is scheduled to begin during the 2009 summer.

Additional information concerning the town's capital assets can be found in Note 6 of the financial statements.

### **LONG-TERM DEBT**

At June 30, 2009, the Town's long-term liabilities, exclusive of compensated absences and amounts to be repaid within one year, totaled \$18,555,000. Of this amount, \$15,634,000 is a liability attributed to governmental activities with the remaining \$2,921,000 attributed to business-type activities. The Town's maximum legal debt margin available, as permitted by the Commonwealth of Virginia is \$441 million. The margin's computation is based on 10% of the assessed value of real estate subject to taxation less applicable bonded debt outstanding.

The ratio of net bonded debt to assessed valuation and the amount of bonded debt per capita are useful indicators of the town's debt position. Data for the Town at June 30, 2009 is as follows:

<b>Estimated Population</b>	<b>Assessed Valuation of Taxable Real Property</b>	<b>Governmental Net Bonded Debt</b>	<b>Ratio of Debt to Assessed Valuation</b>	<b>Net Bonded Debt per Capita</b>
23,476	\$4,584,232,976	\$17,438,886	.0038	\$743

The town maintains an "AA+" rating from Standard & Poor's Credit Market Services, an "AA+" from Fitch Ratings, Inc. and an "Aa1" from Moody's Investors Service, Inc. These credit ratings are one of the highest among towns in Virginia.

More detailed information concerning the town's long-term obligations is presented in Note 7 of the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The following economic factors are reflected in the town's adopted budget for fiscal year 2010:

- The percentage change in real property assessed value as of January 1, 2009 was a significant decline of 15% below the assessments of the previous year. All of the decline occurred within the residential sector of the tax base.
- In response to the large decline in assessed real property values, the town's real estate tax rate was increased for the first time in more than thirty years. The rate increased from \$0.24 per \$100 of assessed value to \$0.26 per \$100 of assessed value.
- The July 2009 unemployment rate in Fairfax County (which includes the Town of Herndon) is estimated at 5.2% compared to the actual rate of 3.2% in July 2008. In comparison, Virginia's seasonally unadjusted unemployment rate for July 2009 is estimated at 6.9% and the U.S. unemployment rate is estimated at 9.4%.



- Only one local revenue source, business license fees, increased significantly during fiscal year 2009. Faced with the prospect of a continuing slow down in local economic activity, and coupled with a continued, though moderating, downturn in the housing market, the combined budget projections for fiscal year 2010 for transient lodging taxes, meals taxes, sales taxes and the town's share of the state's 5% communications taxes were reduced 4% below the revised, combined estimates for fiscal year 2009.

The total adopted fiscal year 2010 budget, including interfund transfers, is \$41,129,000 which is about 6% less than the original budget for fiscal year 2009. The decrease reflects the somber realities posed by the economy and the town's response to these challenges. For fiscal year 2010, two positions were eliminated from the list of authorized full and part time town positions and nine vacant positions will remain vacant (i.e., "frozen") and unfunded for FY 2010.

Even with lean economic times, major capital improvement program initiatives began in prior fiscal years will continue to advance for fiscal year 2010. Included are the following projects:

- \$400,000 to continue the study of significant transportation improvements at three Herndon Parkway intersections. Funding for this project is through a federal Regional Surface Transportation Program (RSTP) grant.
- \$715,000 in VDOT Enhancement Grant funding for the second phase of the Downtown Streets Improvement capital project. This project widens and enhances the streetscape with brick sidewalks, raised tree planter beds and other features consistent with the town's "Downtown Streetscape" standards.
- \$132,000 in Northern Virginia Transportation Authority CMAQ grant funding to construct a W&OD Trail overpass over Crestview Drive. The overpass will promote trail safety and prevent vehicle and trail user conflicts. Increasing traffic volumes along Crestview Drive are making such conflicts more problematic.
- \$275,000 for purchase and replacement of selected vehicles and equipment.

## **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the town's finances and to demonstrate the town's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the Town of Herndon, Department of Finance, P.O. Box 427, Herndon, VA 20172-0427.

## TOWN OF HERNDON, VIRGINIA

Exhibit A-1

## STATEMENT OF NET ASSETS

June 30, 2009

	Governmental Activities	Business-type Activities	Totals
<b>ASSETS</b>			
Cash, cash equivalents and temporary cash investments	\$ 17,997,213	\$ 14,915,256	\$ 32,912,469
Cash with fiscal agent	266,262	-	266,262
Receivables, net:			
Property taxes	5,099,632	-	5,099,632
Trade and other accounts	965,617	1,094,487	2,060,104
Accrued interest	88,631	94,742	183,373
Due from other governments	467,508	-	467,508
Inventories	232,837	74,230	307,067
Prepaid costs	63,951	1,000	64,951
Notes receivable	-	215,498	215,498
Internal balances	202,640	(202,640)	-
Deferred bond costs, net of accumulated amortization	187,532	36,476	224,008
Capital assets:			
Land	25,609,211	3,418,338	29,027,549
Infrastructure	74,299,462	-	74,299,462
Buildings	39,410,346	3,579,748	42,990,094
Improvements other than buildings	10,125,707	27,041,618	37,167,325
Leasehold improvements	145,823	-	145,823
Machinery and equipment	10,223,280	2,477,172	12,700,452
Furniture and fixtures	1,719,192	207,558	1,926,750
Intangibles	-	169,560	169,560
Construction in progress	786,626	264,563	1,051,189
Less: accumulated depreciation and amortization	(72,766,889)	(18,125,474)	(90,892,363)
<b>Total assets</b>	<b>115,124,581</b>	<b>35,262,132</b>	<b>150,386,713</b>
<b>LIABILITIES</b>			
Accounts payable	803,673	1,559,438	2,363,111
Accrued payroll	615,037	60,407	675,444
Accrued liabilities - other	776,143	227,643	1,003,786
Accrued interest	266,442	-	266,442
Unearned revenue	5,050,050	-	5,050,050
Retainage payable	2,576	-	2,576
Customer deposits and contingent charges	2,565,748	238,598	2,804,346
Other postemployment benefits	373,901	49,099	423,000
Noncurrent liabilities:			
Due within one year	2,348,175	173,310	2,521,485
Due in more than one year	17,232,459	3,168,812	20,401,271
<b>Total liabilities</b>	<b>30,034,204</b>	<b>5,477,307</b>	<b>35,511,511</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	72,604,103	15,947,667	88,551,770
Restricted for:			
Cemetery perpetual care	1,298,335	-	1,298,335
Unrestricted	11,187,939	13,837,158	25,025,097
<b>Total net assets</b>	<b>\$ 85,090,377</b>	<b>\$ 29,784,825</b>	<b>\$ 114,875,202</b>

See Notes to Financial Statements.

TOWN OF HERNDON, VIRGINIA

Exhibit A-2

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2009

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Business-type Activities	
					Governmental Activities	Totals
Primary Government:						
Governmental activities:						
Legislative	\$ 654,002	\$ -	\$ -	\$ -	\$ (654,002)	\$ (654,002)
Administration	3,226,320	20,650	195,616	-	(3,010,054)	(3,010,054)
Town attorney	519,437	-	-	-	(519,437)	(519,437)
Parks and recreation	4,658,971	2,551,346	-	-	(2,107,625)	(2,107,625)
Finance	1,348,980	421,790	-	-	(927,190)	(927,190)
Community development	1,950,546	-	-	-	(1,950,546)	(1,950,546)
Police	9,257,315	579,682	1,045,779	-	(7,631,854)	(7,631,854)
Public works	11,229,645	466,595	739,287	1,164,938	(8,858,825)	(8,858,825)
Interest	813,800	-	-	-	(813,800)	(813,800)
<b>Total governmental activities</b>	<b>33,659,016</b>	<b>4,040,063</b>	<b>1,980,682</b>	<b>1,164,938</b>	<b>(26,473,333)</b>	<b>(26,473,333)</b>
Business-type activities:						
Water and sewer	6,836,413	4,378,611	519,711	75,420	(1,862,671)	(1,862,671)
Golf course	1,530,464	1,469,522	-	-	(60,942)	(60,942)
Chestnut Grove cemetery	704,690	536,054	-	-	(168,636)	(168,636)
Downtown parking	65,844	-	-	-	(65,844)	(65,844)
<b>Total business-type activities</b>	<b>9,137,411</b>	<b>6,384,187</b>	<b>519,711</b>	<b>75,420</b>	<b>(2,158,093)</b>	<b>(2,158,093)</b>
<b>Total government</b>	<b>\$ 42,796,427</b>	<b>\$ 10,424,250</b>	<b>\$ 2,500,393</b>	<b>\$ 1,240,358</b>	<b>(26,473,333)</b>	<b>(28,631,426)</b>
General Revenues:						
Taxes:						
General property					11,305,328	11,305,328
Business licenses					3,458,908	3,458,908
Transient occupancy					2,493,698	2,493,698
Local sales					1,511,792	1,511,792
Other local taxes					4,888,870	4,888,870
Revenues not restricted to specific programs					89,937	89,937
Intergovernmental, non-categorical aid					42,626	42,626
Use of money and property					1,406,066	1,406,066
Miscellaneous					439,355	439,355
Transfers					(46,252)	(46,252)
Total general revenues and transfers					25,590,328	25,590,328
<b>Change in net assets</b>					(883,005)	(883,005)
Net assets, July 1					85,973,382	85,973,382
Net assets, June 30					\$ 85,090,377	\$ 85,090,377
					\$ 29,784,825	\$ 29,784,825
					\$ 114,875,202	\$ 114,875,202

**TOWN OF HERNDON, VIRGINIA**

**Exhibit A-3  
Page 1**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2009**

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash, cash equivalents and temporary cash investments	\$ 10,174,806	\$ 6,256,519	\$ 1,565,888	\$ 17,997,213
Cash with fiscal agent	-	266,262	-	266,262
Receivables (net of allowance for doubtful accounts):				
Property taxes	5,099,632	-	-	5,099,632
Accounts and other services	965,617	-	-	965,617
Accrued interest	39,945	35,028	13,658	88,631
Due from other governments	405,359	62,149	-	467,508
Inventories	232,837	-	-	232,837
Prepaid costs	63,951	-	-	63,951
Advances to other funds	400,140	-	-	400,140
<b>Total assets</b>	<b>\$ 17,382,287</b>	<b>\$ 6,619,958</b>	<b>\$ 1,579,546</b>	<b>\$ 25,581,791</b>

**TOWN OF HERNDON, VIRGINIA**

**Exhibit A-3  
Page 2**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2009**

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 590,582	\$ 183,118	\$ 29,973	\$ 803,673
Accrued payroll	615,037	-	-	615,037
Accrued liabilities - other	571,826	204,317	-	776,143
Retainage payable	-	2,576	-	2,576
Deferred revenue	5,222,139	-	-	5,222,139
Deposits	2,565,748	-	-	2,565,748
Advances from other funds	-	197,500	-	197,500
<b>Total liabilities</b>	<b>9,565,332</b>	<b>587,511</b>	<b>29,973</b>	<b>10,182,816</b>
Fund Balances:				
Reserved for:				
Inventories	232,837	-	-	232,837
Prepaid costs	63,951	-	-	63,951
Loan to Capital Projects Fund	197,500	-	-	197,500
Loan to Cemetery Fund	202,640	-	-	202,640
Cemetery perpetual care	-	-	1,298,335	1,298,335
Unreserved:				
Designated for encumbrances	479,420	-	-	479,420
Designated for subsequent years' expenditures:				
General Fund	1,067,728	-	-	1,067,728
Capital Projects Funds	-	3,716,055	165,574	3,881,629
Undesignated:				
General Fund	5,572,879	-	-	5,572,879
Capital Projects Funds	-	2,316,392	85,664	2,402,056
<b>Total fund balances</b>	<b>7,816,955</b>	<b>6,032,447</b>	<b>1,549,573</b>	<b>15,398,975</b>
<b>Total liabilities and fund balances</b>	<b>\$ 17,382,287</b>	<b>\$ 6,619,958</b>	<b>\$ 1,579,546</b>	<b>\$ 25,581,791</b>

**TOWN OF HERNDON, VIRGINIA**

**Exhibit A-4**

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2009**

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Total Fund Balances - Governmental Funds	\$	15,398,975
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Amounts reported for governmental activities  
in the Statement of Net Assets are different because:

Capital assets used in governmental activities  
are not current financial resources and, therefore,  
not reported in the governmental funds.

Governmental capital assets	\$	162,319,647	
Less accumulated depreciation		<u>(72,766,889)</u>	
Net Capital Assets			89,552,758

Deferred revenue represents amounts that were not available to fund current expenditures and, therefore, is not reported as revenue in the governmental funds.	172,089
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Long-term debt issuance costs are deferred and amortized in the Statement of Activities but the effect of issuance costs are recorded in the governmental funds in the current period.	187,532
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Long-term liabilities, including bonds payable,  
are not due and payable in the current period and,  
therefore, are not reported as liabilities in the  
governmental funds.

Bonds payable, including unamortized premiums and discounts	(17,207,449)	
Note payable	(195,000)	
Compensated absences	(2,178,185)	
Interest payable	(266,442)	
Other postemployment benefits	<u>(373,901)</u>	
		<u>(20,220,977)</u>

<b>Net assets of governmental activities</b>	<b>\$</b>	<b><u>85,090,377</u></b>
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## TOWN OF HERNDON, VIRGINIA

Exhibit A-5

Page 1

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2009**

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
General property taxes	\$ 11,315,372	\$ -	\$ -	\$ 11,315,372
Other local taxes	12,353,268	-	-	12,353,268
Permits, privilege fees and regulatory licenses	361,280	-	-	361,280
Fines and forfeitures	593,631	-	-	593,631
Use of money and property	910,128	420,330	75,608	1,406,066
Charges for services	3,158,288	-	-	3,158,288
Miscellaneous	18,482	300,000	-	318,482
Intergovernmental	2,754,078	263,022	-	3,017,100
<b>Total revenues</b>	<b>31,464,527</b>	<b>983,352</b>	<b>75,608</b>	<b>32,523,487</b>
<b>Expenditures:</b>				
Current:				
Legislative	651,245	-	-	651,245
Administration	2,443,752	-	-	2,443,752
Town attorney	522,946	-	-	522,946
Parks and recreation	3,896,866	-	-	3,896,866
Finance	1,291,102	-	-	1,291,102
Community development	1,853,933	-	-	1,853,933
Police	8,662,952	-	-	8,662,952
Public works	9,049,695	-	-	9,049,695
Grants	169,494	-	-	169,494
Capital outlay	-	1,144,971	209,724	1,354,695
Debt service:				
Principal	1,714,623	-	-	1,714,623
Interest and fiscal charges	800,142	-	-	800,142
<b>Total expenditures</b>	<b>31,056,750</b>	<b>1,144,971</b>	<b>209,724</b>	<b>32,411,445</b>
<b>Revenues over (under) expenditures</b>	<b>407,777</b>	<b>(161,619)</b>	<b>(134,116)</b>	<b>112,042</b>

## TOWN OF HERNDON, VIRGINIA

Exhibit A-5

Page 2

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2009**

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Other financing sources (uses):				
Proceeds from sale of capital assets	\$ 120,873	\$ -	\$ -	\$ 120,873
Transfers in	-	216,500	335,356	551,856
Transfers out	(522,500)	-	(75,608)	(598,108)
<b>Total other financing sources (uses), net</b>	<b>(401,627)</b>	<b>216,500</b>	<b>259,748</b>	<b>74,621</b>
<b>Net change in fund balances</b>	<b>6,150</b>	<b>54,881</b>	<b>125,632</b>	<b>186,663</b>
Fund balances, July 1	7,810,805	5,977,566	1,423,941	15,212,312
Fund balances, June 30	\$ 7,816,955	\$ 6,032,447	\$ 1,549,573	\$ 15,398,975



**TOWN OF HERNDON, VIRGINIA**

Exhibit A-6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2009**

	Governmental Funds	
Net change in fund balances - total governmental funds	\$ 186,663	
Reconciliation of amounts reported for governmental activities in the Statement of Activities:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Expenditure for capital assets	\$ 1,236,989	
Donated capital assets	169,792	
Less depreciation expense	<u>(3,396,242)</u>	
Excess of depreciation over capital outlay		(1,989,461)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net assets.		(293,080)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in deferred revenue		8,111
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Assets.		
Principal repayments:		
General obligation debt		1,714,623
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Accrued interest	4,520	
Compensated absences	(122,302)	
Other postemployment benefits	(373,901)	
Amortization of premium, discounts and financing costs	<u>(18,178)</u>	
		<u>(509,861)</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>(883,005)</u></b>

## TOWN OF HERNDON, VIRGINIA

Exhibit A-7

Page 1

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND  
Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
General property taxes	\$ 11,396,200	\$ 11,396,200	\$ 11,315,372	\$ (80,828)
Other local taxes	12,213,200	12,213,200	12,353,268	140,068
Permits, privilege fees and regulatory licenses	333,000	333,000	361,280	28,280
Fines and forfeitures	566,900	566,900	593,631	26,731
Use of money and property	833,400	833,400	910,128	76,728
Charges for services	3,097,990	3,097,990	3,158,288	60,298
Miscellaneous	40,000	40,000	18,482	(21,518)
Intergovernmental	3,322,068	3,322,068	2,754,078	(567,990)
<b>Total revenues</b>	<b>31,802,758</b>	<b>31,802,758</b>	<b>31,464,527</b>	<b>(338,231)</b>
Expenditures:				
Current:				
Legislative	639,395	657,772	651,245	(6,527)
Administration	2,578,202	2,644,592	2,443,752	(200,840)
Town attorney	507,562	600,986	522,946	(78,040)
Parks and recreation	3,947,556	4,042,302	3,896,866	(145,436)
Finance	1,294,247	1,298,085	1,291,102	(6,983)
Community development	1,965,987	2,055,712	1,853,933	(201,779)
Police	8,740,758	8,772,968	8,662,952	(110,016)
Public works	9,404,674	10,328,459	9,049,695	(1,278,764)
Grants	-	9,413	169,494	160,081
Debt Service:				
Principal	1,714,623	1,714,623	1,714,623	-
Interest and fiscal charges	842,022	842,022	800,142	(41,880)
<b>Total expenditures</b>	<b>31,635,026</b>	<b>32,966,934</b>	<b>31,056,750</b>	<b>(1,910,184)</b>
<b>Revenues over (under) expenditures</b>	<b>167,732</b>	<b>(1,164,176)</b>	<b>407,777</b>	<b>1,571,953</b>

## TOWN OF HERNDON, VIRGINIA

Exhibit A-7

Page 2

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Other financing sources (uses):				
Proceeds from sale of capital assets	\$ 21,000	\$ 21,000	\$ 120,873	\$ 99,873
Issuance of debt	1,415,000	1,415,000	-	(1,415,000)
Transfers out	(2,457,500)	(2,332,500)	(522,500)	1,810,000
<b>Total other financing uses, net</b>	<b>(1,021,500)</b>	<b>(896,500)</b>	<b>(401,627)</b>	<b>494,873</b>
<b>Net change in fund balance</b>	<b>(853,768)</b>	<b>(2,060,676)</b>	<b>6,150</b>	<b>2,066,826</b>
Fund balance, July 1	853,768	2,060,676	7,810,805	5,750,129
Fund balance, June 30	\$ -	\$ -	\$ 7,816,955	\$ 7,816,955

## TOWN OF HERNDON, VIRGINIA

Exhibit A-8

Page 1

**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2009**

	Business-type Activities - Enterprise Funds				
	Major Funds			Nonmajor Fund	
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking Enterprise	Totals
<b>ASSETS</b>					
Current Assets:					
Cash, cash equivalents and temporary cash investments	\$ 13,211,817	\$ 759,738	\$ 632,755	\$ 310,946	\$ 14,915,256
Receivables (net of allowance for doubtful accounts):					
Accounts and other services	1,078,700	2,760	855	12,172	1,094,487
Accrued interest	67,413	3,641	3,117	20,571	94,742
Inventories	50,246	23,984	-	-	74,230
Prepaid costs	-	-	-	1,000	1,000
Current notes receivable	-	-	-	35,368	35,368
<b>Total current assets</b>	<b>14,408,176</b>	<b>790,123</b>	<b>636,727</b>	<b>380,057</b>	<b>16,215,083</b>
Noncurrent Assets:					
Notes receivable (net of allowance for doubtful accounts)	-	-	-	180,130	180,130
Deferred bond costs, net of accumulated amortization	-	-	36,476	-	36,476
Capital assets:					
Land	200,000	1,621,574	718,500	878,264	3,418,338
Buildings	-	2,316,728	1,263,020	-	3,579,748
Improvements other than buildings	22,781,493	2,355,191	1,444,889	460,045	27,041,618
Machinery and equipment	1,569,480	834,193	73,499	-	2,477,172
Furniture and fixtures	194,920	5,918	6,720	-	207,558
Intangibles	169,560	-	-	-	169,560
Construction in progress	264,563	-	-	-	264,563
Less accumulated depreciation and amortization	(14,201,914)	(3,072,477)	(487,050)	(364,033)	(18,125,474)
<b>Total capital assets (net of accumulated depreciation and amortization)</b>	<b>10,978,102</b>	<b>4,061,127</b>	<b>3,019,578</b>	<b>974,276</b>	<b>19,033,083</b>
<b>Total noncurrent assets</b>	<b>10,978,102</b>	<b>4,061,127</b>	<b>3,056,054</b>	<b>1,154,406</b>	<b>19,249,689</b>
<b>Total assets</b>	<b>25,386,278</b>	<b>4,851,250</b>	<b>3,692,781</b>	<b>1,534,463</b>	<b>35,464,772</b>

## TOWN OF HERNDON, VIRGINIA

Exhibit A-8  
Page 2STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2009

	Business-type Activities - Enterprise Funds				
	Major Funds			Nonmajor Fund	
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking Enterprise	Totals
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	\$ 1,526,171	\$ 13,600	\$ 19,667	\$ -	\$ 1,559,438
Accrued payroll	25,766	24,658	9,983	-	60,407
Accrued liabilities - other	189,862	2,428	35,353	-	227,643
Compensated absences	11,279	3,379	3,169	-	17,827
Deposits	238,598	-	-	-	238,598
Advances from other funds	-	-	202,640	-	202,640
Current general obligations bonds payable	-	59,091	96,392	-	155,483
<b>Total current liabilities</b>	<b>1,991,676</b>	<b>103,156</b>	<b>367,204</b>	<b>-</b>	<b>2,462,036</b>
Noncurrent Liabilities:					
Compensated absences	63,695	105,647	33,061	-	202,403
Other postemployment benefits	26,438	15,107	7,554	-	49,099
Long-term general obligation bonds payable, net	-	837,040	2,129,369	-	2,966,409
<b>Total noncurrent liabilities</b>	<b>90,133</b>	<b>957,794</b>	<b>2,169,984</b>	<b>-</b>	<b>3,217,911</b>
<b>Total liabilities</b>	<b>2,081,809</b>	<b>1,060,950</b>	<b>2,537,188</b>	<b>-</b>	<b>5,679,947</b>
Net Assets:					
Invested in capital assets, net of related debt	10,978,102	3,164,996	830,293	974,276	15,947,667
Unrestricted	12,326,367	625,304	325,300	560,187	13,837,158
<b>Total net assets</b>	<b>\$ 23,304,469</b>	<b>\$ 3,790,300</b>	<b>\$ 1,155,593</b>	<b>\$ 1,534,463</b>	<b>\$ 29,784,825</b>

## TOWN OF HERNDON, VIRGINIA

Exhibit A-9

Page 1

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2009**

	Business-type Activities - Enterprise Funds				Totals
	Major Funds			Nonmajor Fund	
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking Enterprise	
Operating revenues:					
Sale of water	\$ 2,022,508	\$ -	\$ -	\$ -	\$ 2,022,508
Sewer service charges	2,291,987	-	-	-	2,291,987
Late payment charges	48,853	-	-	-	48,853
Sale of commodities	15,263	-	-	-	15,263
Rents and leases	240,650	27,645	-	-	268,295
Greens fees	-	1,054,026	-	-	1,054,026
Golf cart revenue	-	268,965	-	-	268,965
Golf pro shop sales	-	78,513	-	-	78,513
Driving range fees	-	68,018	-	-	68,018
Cemetery sites	-	-	293,560	-	293,560
Interment services	-	-	156,515	-	156,515
Merchandise sales	-	-	85,979	-	85,979
Miscellaneous	12,999	24,264	23,609	38,308	99,180
<b>Total operating revenues</b>	<b>4,632,260</b>	<b>1,521,431</b>	<b>559,663</b>	<b>38,308</b>	<b>6,751,662</b>
Operating expenses:					
Finance	214,649	-	-	-	214,649
Water main maintenance	2,574,165	-	-	-	2,574,165
Sewer service charge	2,940,054	-	-	-	2,940,054
Contractual services	383,850	-	-	-	383,850
Golf course operations	-	694,211	-	-	694,211
Golf course club house	-	527,706	-	-	527,706
Cemetery operations	-	-	430,408	-	430,408
Downtown parking	-	-	-	35,311	35,311
Nondepartmental:					
Depreciation and amortization	679,695	215,091	142,717	30,533	1,068,036
Miscellaneous	44,000	49,026	17,473	-	110,499
<b>Total operating expenses</b>	<b>6,836,413</b>	<b>1,486,034</b>	<b>590,598</b>	<b>65,844</b>	<b>8,978,889</b>
<b>Operating income (loss)</b>	<b>(2,204,153)</b>	<b>35,397</b>	<b>(30,935)</b>	<b>(27,536)</b>	<b>(2,227,227)</b>

## TOWN OF HERNDON, VIRGINIA

Exhibit A-9

Page 2

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2009**

	Business-type Activities - Enterprise Funds				
	Major Funds			Nonmajor Fund	
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking Enterprise	Totals
Nonoperating revenues (expenses):					
Investment earnings (loss)	\$ 947,401	\$ (2,542)	\$ 13,366	\$ 56,722	\$ 1,014,947
Availability fees	519,711	-	-	-	519,711
Interest expense	-	(44,430)	(114,092)	-	(158,522)
<b>Total nonoperating revenues (expenses), net</b>	<b>1,467,112</b>	<b>(46,972)</b>	<b>(100,726)</b>	<b>56,722</b>	<b>1,376,136</b>
<b>Income (loss) before capital contributions and transfers</b>	<b>(737,041)</b>	<b>(11,575)</b>	<b>(131,661)</b>	<b>29,186</b>	<b>(851,091)</b>
Capital contributions	75,420	-	-	-	75,420
Transfers in	-	-	75,608	-	75,608
Transfers out	-	-	(29,356)	-	(29,356)
<b>Change in net assets</b>	<b>(661,621)</b>	<b>(11,575)</b>	<b>(85,409)</b>	<b>29,186</b>	<b>(729,419)</b>
Total net assets, July 1	23,966,090	3,801,875	1,241,002	1,505,277	30,514,244
Total net assets, June 30	\$ 23,304,469	\$ 3,790,300	\$ 1,155,593	\$ 1,534,463	\$ 29,784,825

## TOWN OF HERNDON, VIRGINIA

Exhibit A-10

Page 1

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2009**

	Business-type Activities - Enterprise Funds				
	Major Funds			Nonmajor Fund	Totals
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking Enterprise	
Cash Flows From Operating Activities:					
Receipts from customers	\$ 4,546,996	\$ 1,520,682	\$ 559,663	\$ 26,368	\$ 6,653,709
Payments to suppliers for goods and services	(5,076,875)	(453,480)	(165,445)	(35,611)	(5,731,411)
Payments to employees for services	(867,499)	(811,309)	(303,673)	-	(1,982,481)
<b>Net cash provided by (used in) operating activities</b>	<b>(1,397,378)</b>	<b>255,893</b>	<b>90,545</b>	<b>(9,243)</b>	<b>(1,060,183)</b>
Cash Flows From Noncapital Financing Activities:					
Transfers in from other funds	-	-	75,608	-	75,608
Transfers out to other funds	-	-	(29,356)	-	(29,356)
Repayment of advances from other funds	-	-	(27,665)	-	(27,665)
Interest paid on advances from other funds	-	-	(9,713)	-	(9,713)
<b>Net cash provided by noncapital financing activities</b>	<b>-</b>	<b>-</b>	<b>8,874</b>	<b>-</b>	<b>8,874</b>
Cash Flows From Capital and Related Financing Activities:					
Water and sewer tap fees/contributions from local sources	519,711	-	-	-	519,711
Acquisition and construction of capital assets	(484,186)	-	-	-	(484,186)
Principal paid on bonds	-	(55,152)	(90,225)	-	(145,377)
Interest paid on bonds	-	(43,559)	(104,730)	-	(148,289)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>35,525</b>	<b>(98,711)</b>	<b>(194,955)</b>	<b>-</b>	<b>(258,141)</b>
Cash Flows From Investing Activities:					
Principal received on note receivable	-	-	-	(186)	(186)
Interest received on note receivable	-	-	-	41,792	41,792
Interest received on investment securities	957,605	(6,183)	14,909	-	966,331
<b>Net cash provided by (used in) investing activities</b>	<b>957,605</b>	<b>(6,183)</b>	<b>14,909</b>	<b>41,606</b>	<b>1,007,937</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(404,248)</b>	<b>150,999</b>	<b>(80,627)</b>	<b>32,363</b>	<b>(301,513)</b>
Cash and Cash Equivalents:					
Beginning	13,616,065	608,739	713,382	278,583	15,216,769
Ending	\$ 13,211,817	\$ 759,738	\$ 632,755	\$ 310,946	\$ 14,915,256



## TOWN OF HERNDON, VIRGINIA

Exhibit A-10

Page 2

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2009**

	Business-type Activities - Enterprise Funds					
	Major Funds			Nonmajor Fund		Totals
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking Enterprise		
Cash Flows From Operating Activities:						
Operating income (loss)	\$ (2,204,153)	\$ 35,397	\$ (30,935)	\$ (27,536)	\$ (2,227,227)	
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	679,695	215,091	142,717	30,533	1,068,036	
Changes in assets and liabilities:						
(Increase) decrease in:						
Receivables	(82,900)	(749)	-	(11,940)	(95,589)	
Inventories	15,511	10,935	-	-	26,446	
Prepaid costs and other assets	4,023	-	-	(300)	3,723	
Increase (decrease) in:						
Accounts payable, accrued liabilities and compensated absences	192,808	(4,781)	(21,237)	-	166,790	
Deposits	(2,362)	-	-	-	(2,362)	
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (1,397,378)</b>	<b>\$ 255,893</b>	<b>\$ 90,545</b>	<b>\$ (9,243)</b>	<b>\$ (1,060,183)</b>	
Schedule of Noncash Capital and Related Financing Activities						
Developer donated assets	\$ 75,420	\$ -	\$ -	\$ -	\$ 75,420	

TOWN OF HERNDON, VIRGINIA

Exhibit A-11

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
June 30, 2009  
(With Comparative Amounts for 2008)

	Pension Trust Fund
	Police Supplemental
	Retirement Pension
	Trust Fund
<b>2009</b>	<b>2008</b>

**ASSETS**

Mutual funds	<b>\$ 1,794,181</b>	\$ 1,448,487
U.S. government securities	-	499,840
Contributions receivable	<b>5,194</b>	4,923
<b>Total assets</b>	<b>1,799,375</b>	1,953,250

**NET ASSETS**

Held in trust for pension benefits	<b>\$ 1,799,375</b>	\$ 1,953,250
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TOWN OF HERNDON, VIRGINIA

Exhibit A-12

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUND**  
**Year Ended June 30, 2009**  
**(With Comparative Amounts for 2008)**

	<div style="text-align: center;">                     Pension Trust Fund                      Police Supplemental                      Retirement Pension                      Trust Fund                 </div>	
	2009	2008
Additions:		
Employer contributions	\$ 133,672	\$ 125,879
Total contributions	133,672	125,879
Investment loss:		
Net decrease in the fair market value of investments	(272,276)	(76,247)
<b>Total additions, net</b>	<b>(138,604)</b>	49,632
Deductions:		
Benefit payments	15,271	-
<b>Change in net assets</b>	<b>(153,875)</b>	49,632
Net assets, July 1	1,953,250	1,903,618
Net assets, June 30	\$ 1,799,375	\$ 1,953,250

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The financial statements of the Town of Herndon, Virginia (the town) conform with generally accepted accounting principles (GAAP) as applied to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies used by the town.

The Town of Herndon, located in the County of Fairfax, Virginia, was incorporated in 1879 under the provisions of the constitution and general statutes of the Commonwealth of Virginia.

The town is governed under the Town Manager-Council form of government. The town engages in a comprehensive range of municipal services, including general government administration; public safety and administration of justice; refuse collection; street and sidewalk maintenance; street lighting; zoning enforcement; education, health, welfare, and human service programs; planning, community development and recreation; and cultural and historic activities. Other municipal services including public education; technical and special education services; health and social services; mental health assistance; fire and ambulance services; judicial services; correctional facilities; and additional recreation services and facilities are provided by the County of Fairfax, Virginia.

As required by GAAP, these financial statements present the town's financial position. The town does not have any component units, entities for which the town is considered to be financially accountable or blended component units, legally separate entities which are in substance part of the town's operations.

**B. Basis of Presentation, Basis of Accounting**

**Basis of Presentation**

*Government-wide Statements:* The Statement of Net Assets and the Statement of Activities display information about the town. These statements include the financial activities of the overall government, except for fiduciary activities. For the most part, the effect of interfund activity has been removed. These statements distinguish between the *government* and *business-type activities* of the town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the town and for each function of the town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

B. Basis of Presentation, Basis of Accounting (Continued)

**Basis of Presentation (Continued)**

*Fund Financial Statements:* The fund financial statements provide information about the town's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, of which each is displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment earnings, result from nonexchange transactions.

Operating expenses include cost of services, administrative expenses and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses.

The town reports the following major governmental funds:

General Fund

The General Fund is the general operating fund of the town. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund.

Capital Projects Fund

The Capital Projects Fund accounts for all financial resources used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds or the Information Systems Improvement Fund.

The town reports the following major enterprise funds:

Water and Sewer Fund

The Water and Sewer Fund accounts for services to the general public which are financed primarily by charges to users of those services.

Golf Course Fund

The Golf Course Fund accounts for the operation and maintenance of the golf course.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

B. Basis of Presentation, Basis of Accounting (Continued)

**Basis of Presentation (Continued)**

Chestnut Grove Cemetery Fund

The Chestnut Grove Cemetery Fund accounts for operations of the cemetery.

Additionally, the town reports the following fund types:

Police Supplemental Retirement Pension Trust Fund

The purpose of this fund is to provide retirement benefits in addition to the benefits provided by the Virginia Retirement System and Social Security. The town has contracted with various financial institutions and insurance carriers to provide fiscal agent services including the accounting, investment, and disbursement services related to this fund.

**Measurement Focus, Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

*Government-wide, Proprietary, and Fiduciary Fund Financial Statements:* The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The town considers all revenues reported in the governmental funds to be available if the revenues are collected within 75 days after year-end, except property taxes which are recognized as revenue if they have been collected within 45 days after year-end. All taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Basis of Presentation, Basis of Accounting (Continued)**

**Measurement Focus, Basis of Accounting (Continued)**

All governmental and business-type activities and enterprise funds of the town follow Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

**C. Budgetary Data**

The *Code of Virginia* makes a clear distinction between budgets and appropriations. Budgets are for informational and fiscal planning purposes, whereas appropriations are authorizations to incur expenditures.

Prior to April 1, the town Manager submits to the town Council a proposed operating budget for the fiscal year commencing the following July 1. Annual budgets for the General Fund, and the enterprise funds are adopted at the department level. Capital projects are budgeted on a project basis. The operating and capital budgets include proposed expenditures and the means of financing them. A brief synopsis of the proposed budget is published at least once in a newspaper with general circulation within the town. Additionally, notice is given of one or more public hearings at least ten days prior to the public hearing. The public hearing provides any citizen the opportunity to comment on the budget.

Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution. This resolution appropriates all budgeted amounts. The Appropriations Resolution places legal restrictions on expenditures for each department or category level. The town Manager is authorized to transfer budgeted amounts of the General Fund, Water and Sewer Fund, Golf Course Fund and Downtown Parking Enterprise Funds within a department or between departments. The total amount of each transfer shall not exceed \$30,000 and multiple transfers for the same account cannot exceed a total of \$30,000. Transfers exceeding \$30,000 must be authorized by the town Council. Although transfers within the budget less than \$30,000 may be made without approval, all increases or decreases to the approved budget must be approved by the town Council before being made. During the year, the town Council approves additional appropriations, as needed, in the form of Budget Amendments. During the year ended June 30, 2009, budget revisions to governmental funds were made which resulted in a \$1,331,908 increase in budgeted expenditures.

All budgets are adopted on a basis consistent with GAAP. Appropriations lapse June 30 unless specifically encumbered or reserved. At year-end, the town Council meets to encumber or reserve these appropriations for the next fiscal year.

All budget data presented in the accompanying financial statements is the revised budget as of June 30 and includes the budget revisions disclosed previously. Unfavorable variances reported herein should not be interpreted to represent violations of laws as the legal level of fiscal control is based on total appropriated expenditures by fund.

## TOWN OF HERNDON, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### D. Assets, Liabilities and Equity

###### (1) Deposits and Investments

Cash resources of the governmental and proprietary funds are combined to form a pool of deposits and investments to maximize interest earnings potential. The pool consists primarily of certificates of deposit, repurchase agreements, government securities and a local government investment pool. The government securities are stated at fair value based on quoted market prices and the investment in the local government investment pool (a 2a7-like pool) is reported at the pool's share price.

For purposes of the statement of cash flows, the town's enterprise funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

###### (2) Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Water and sewer receivables are shown net of an allowance for uncollectibles and consist of billed and unbilled utility receivables. Unbilled receivables are an estimate of utility services provided but not billed by year end.

Allowances for uncollectible accounts receivable (real estate taxes and utility billings) are calculated using historical collection data, specific account analysis, and management's judgment.



**TOWN OF HERNDON, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities and Equity (Continued)**

**(2) Receivables and Payables (Continued)**

The town levies real estate taxes as of January 1 on all real property in the town on a calendar year basis at a rate enacted by town Council. The levies are based on the assessed value of property as determined by the Director of Real Estate Assessments of Fairfax County. All property is assessed at 100 percent of appraised value and reassessed each year as of January 1. Real estate taxes are collected in equal installments due July 28 and December 5. Lien dates are 190 days after the due date. The tax rate during 2008 per \$100 of assessed value was \$.24. No discounts are allowed. A late penalty of ten percent is charged after July 28 and December 5. Interest of ten percent on tax and penalty is charged from August 1 for the first half real estate taxes and from January 1 for second half real estate taxes.

The town did not assess personal property taxes during fiscal year 2009.

The portion of taxes receivable that are not collected within 45 days after June 30 are shown as deferred revenue.

**(3) Inventories**

Inventories in the proprietary funds are recorded at the lower of cost (first-in, first-out) or market. These inventories consist primarily of parts held for consumption.

Inventory in the General Fund consists of expendable supplies held for consumption and is recorded at cost (determined on a first-in, first-out basis). The cost is recorded as an expenditure when consumed.

**(4) Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements using the consumption method.

**(5) Capital Assets**

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets and infrastructure are defined by the town as assets with an initial, individual cost of more than \$5,000 and \$20,000, respectively, and an estimated useful life in excess of two years.

The town has included all infrastructure assets of the town, including assets acquired before June 30, 1980.

**TOWN OF HERNDON, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities and Equity (Continued)**

**(5) Capital Assets (Continued)**

Maintenance, repairs, and minor renewals are charged to operations when incurred. Expenses which materially increase values, change capacities, or extend useful lives are capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Infrastructure	20 to 40 years
Buildings	10 to 40 years
Improvements other than buildings	5 to 50 years
Machinery and equipment	2 to 20 years
Furniture and fixtures	10 to 20 years
Leasehold improvements	Fully depreciated

**(6) Compensated Absences**

Vacation can be accumulated up to 37.5 days for all employees except department heads who can accumulate 40 days. Unused accumulated vacation is paid upon termination, death or retirement. Employees may utilize their sick leave benefit to the extent sickness causes employees to be absent. Upon retirement under the Virginia Retirement System, employees are considered 25% vested in sick leave benefits and are paid the vested portion up to \$10,000. Upon termination of employment except for dismissals, non-probationary full-time employees are considered 25% vested in sick leave benefits and are paid the vested portion up to \$2,500. A prorated amount shall be paid to non-probationary part-time employees. The vested amount is accrued in compensated absences.

Compensated absences are accrued when incurred in proprietary funds and reported as a fund liability.

Compensated absences that are expected to be liquidated with expendable available resources are reported as expenditures and fund liabilities of the governmental fund that will pay it. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

All amounts accrued for compensated absences are recorded on the entity-wide statements.

**TOWN OF HERNDON, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities and Equity (Continued)**

**(7) Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums, discounts, and deferred losses on refundings, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium, discount, and deferred losses on refundings. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**(8) Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**E. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 2. Deposits and Investments**

The town maintains a cash and investment pool that is available for use by all funds, except the pension trust fund. Investment income is allocated to certain designated funds based on the percentage of the fund's cash and investments at month-end to the total pool. The Capital Projects Fund and the Water and Sewer Fund have specific designated investments as well as having equity in pooled cash and investments.

**Deposits:** All cash of the town is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. Seq. of the *Code of Virginia* or covered by federal depository insurance.

**Investments:** The State Treasurer's Local Government Investment Pool (LGIP) is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Sec 2.2-4605 *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The fair value of the position of the LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of \$1 per share.

**Investment Policy:**

State statutes and the town's policy authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, "prime-quality" commercial paper and certain corporate notes, bankers' acceptances, repurchase agreements, open-end investment funds (mutual funds), certificates of deposit, and the LGIP. The town has investments in the LGIP, and the maturity of the LGIP is less than one year.

The town's investment policy establishes the maximum percentages of the portfolio permitted in each of the following instruments:

U. S. Treasury Obligations	100% maximum
U. S. Government Agency Securities and Instruments of Government Sponsored Corporations	100% maximum
Open-End Investment Funds (Mutual Funds)	100% maximum
Bankers' Acceptances	50% maximum
Repurchase Agreements	25% maximum
Certificate of Deposits – Virginia Qualified Commercial Banks, Savings and Loan Associations	75% maximum
Commercial Paper	35% maximum
Local Government Investment Pool	100% maximum

Further, of the total portfolio, no more than 25% can be invested with any one institution for Bankers' Acceptances, 10% with any one institution for Repurchase Agreements, 33% with any one institution for Certificates of Deposit, and no more than 5% with any one institution for Commercial Paper.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 2. Deposits and Investments (Continued)**

**Credit Risk:**

As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following; Moody's Investors Service, Standard & Poor's and Fitch Investor's Service. Corporate notes, negotiable Certificates of Deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investors Service. Notes having a maturity of greater than one year must be rated "AA" by Standard & Poor's "Aa" by Moody's Investors Service.

As of June 30, 2009, 6% of the portfolio was invested in "AA+" U. S. Agency Securities, 69% was invested in "AAA" U. S. Agency Securities, 17% was invested in "AAAm" rated Money Market Funds, and 8% was invested in an unrated Money Market Fund. All credit ratings presented in this paragraph are Standard & Poor's ratings.

**Concentration of Credit Risk:**

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. If certain investments in any one issuer represent 5% of total investments, there must be a disclosure for the amount and issuer. At June 30, 2009, the portion of the town's portfolio, excluding the LGIP, U. S. Government guaranteed obligations and money market mutual funds, that exceed 5% of the total portfolio are as follows:

Federal National Mortgage Association	48%
Federal Home Loan Mortgage Corporation	11%
Federal Home Loan Bank	7%
Municipal Bonds	6%
Certificates of Deposit	5%

**Interest Rate Risk:**

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment.

As a means of limiting exposure to fair value losses arising from rising interest rates, the town's policy limits the investment of operating funds to investments with a stated maturity of no more than five years from the date of purchase, except for investments of capital projects, long-term reserve and other escrow funds that will be timed to meet contractors' payments; debt service or other anticipated financial obligations. In such cases, the town may invest reserve and escrow funds in securities maturing up to ten years from the date of purchase.

	Fair Value	Investment Maturities (in years)	
		1 – 5 Years	5 – 10 Years
U. S. Agencies	\$ 21,923,705	\$ 7,125,105	\$ 14,798,600

Interest rate risk does not apply to the local government investment pool since it is a 2a7-like pool.

# TOWN OF HERNDON, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

### Note 3. Receivables

Receivables at June 30, 2009 for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Water and Sewer Fund	Golf Course Fund	Chestnut Grove Cemetery Fund	Nonmajor Proprietary Fund	Totals
Property tax	\$ 5,102,642	\$ -	\$ -	\$ -	\$ -	\$ 5,102,642
Meals tax	96,864	-	-	-	-	96,864
5% Communications tax	260,748	-	-	-	-	260,748
Transient occupancy tax	198,317	-	-	-	-	198,317
Fines and forfeitures	106,305	-	-	-	-	106,305
Trade and other accounts	303,383	1,302,893	2,760	1,530	12,172	1,622,738
Gross receivables	6,068,259	1,302,893	2,760	1,530	12,172	7,387,614
Less allowance for uncollectible accounts	(3,010)	(224,193)	-	(675)	-	(227,878)
Net receivables	\$ 6,065,249	\$ 1,078,700	\$ 2,760	\$ 855	\$ 12,172	\$ 7,159,736

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the General Fund were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable	\$ 28,480	\$ -
Advance billing of 2009-2010 taxes	-	5,050,050
Intergovernmental	30,148	-
Other	113,461	-
	<u>\$ 172,089</u>	<u>\$ 5,050,050</u>

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 4. Due From Other Governments**

Amounts due from other governments include the following:

General Fund:	
Federal government	\$ 47,589
Commonwealth of Virginia:	
Local sales tax	241,411
Vehicle rental taxes	7,723
	<u>249,134</u>
Other Local:	
County of Fairfax	85,604
Northern Virginia Cigarette Tax Board	23,032
	<u>108,636</u>
<b>Total General Fund</b>	<u>405,359</u>
Capital Projects Fund:	
Federal government	<u>62,149</u>
<b>Total Capital Projects Fund</b>	<u>62,149</u>
<b>Total due from other governments</b>	<u>\$ 467,508</u>

**Note 5. Notes Receivable**

Notes receivable as of June 30, 2009 consist of the following:

	Downtown Parking Enterprise Fund
	<u>          </u>
3.875% note, due in annual installments of \$1,851, plus interest through June 2013	\$ 7,403
5.36% note, due in annual installments of \$1,851, plus interest through February 2015	11,108
4.715% note, due in annual installments of \$2,036, plus interest through March 2017	16,292
4.27% note, due in annual installments of \$16,291, plus interest through October 2017	146,623
4.515% note, due in annual installments of \$11,858, plus interest through October 2023	189,720
4.10% note, due in annual installments of \$1,481, plus interest through May 2024	22,215
	<u>393,361</u>
Less current maturities	(35,368)
Less allowance for uncollectible accounts	<u>(177,863)</u>
<b>Long-term portion, net</b>	<u>\$ 180,130</u>

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 6. Capital Assets**

Capital asset activity for the year ended June 30, 2009 is as follows:

	Beginning Balance	Increases	(Deletions)/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 25,609,211	\$ -	\$ -	\$ 25,609,211
Construction in progress	653,890	638,918	(506,182)	786,626
<b>Total capital assets, not being depreciated</b>	<b>26,263,101</b>	<b>638,918</b>	<b>(506,182)</b>	<b>26,395,837</b>
Capital assets, being depreciated:				
Infrastructure	74,129,670	169,792	-	74,299,462
Buildings	39,229,056	-	181,290	39,410,346
Improvements other than buildings	10,125,707	-	-	10,125,707
Machinery and equipment	9,669,761	598,071	(44,552)	10,223,280
Leasehold improvements	145,823	-	-	145,823
Furniture and fixtures	1,719,192	-	-	1,719,192
<b>Total capital assets being depreciated</b>	<b>135,019,209</b>	<b>767,863</b>	<b>136,738</b>	<b>135,923,810</b>
Less accumulated depreciation for:				
Infrastructure	48,862,938	1,419,674	-	50,282,612
Buildings	8,340,355	983,936	(4,598)	9,319,693
Improvements other than buildings	4,730,218	424,067	-	5,154,285
Machinery and equipment	6,816,607	489,160	(71,766)	7,234,001
Leasehold improvements	145,823	-	-	145,823
Furniture and fixtures	551,070	79,405	-	630,475
<b>Total accumulated depreciation</b>	<b>69,447,011</b>	<b>3,396,242</b>	<b>(76,364)</b>	<b>72,766,889</b>
<b>Total capital assets being depreciated, net</b>	<b>65,572,198</b>	<b>(2,628,379)</b>	<b>213,102</b>	<b>63,156,921</b>
Governmental activities capital assets, net	\$ 91,835,299	\$ (1,989,461)	\$ (293,080)	\$ 89,552,758



**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 6. Capital Assets (Continued)**

Depreciation was charged to programs/functions as follows:

**Governmental activities:**

Legislative	\$ 439
Administration	276,159
Parks and Recreation	714,371
Finance	40,371
Community Development	42,800
Police	360,890
Public Works	1,961,212
<b>Total depreciation expense - governmental activities</b>	<b><u>\$ 3,396,242</u></b>

	Beginning Balance	Increases	(Deletions)/ Reclassifications	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 3,418,338	\$ -	\$ -	\$ 3,418,338
Construction in progress	318,054	302,534	(356,025)	264,563
<b>Total capital assets, not being depreciated</b>	<b>3,736,392</b>	<b>302,534</b>	<b>(356,025)</b>	<b>3,682,901</b>
 Capital assets, being depreciated and amortized:				
Buildings	3,579,748	-	-	3,579,748
Improvements other than buildings	26,446,842	238,751	356,025	27,041,618
Machinery and equipment	2,458,851	18,321	-	2,477,172
Furniture and fixtures	207,558	-	-	207,558
Intangibles	169,560	-	-	169,560
<b>Total capital assets being depreciated and amortized</b>	<b>32,862,559</b>	<b>257,072</b>	<b>356,025</b>	<b>33,475,656</b>
 Less accumulated depreciation and amortization:				
Buildings	908,979	122,173	-	1,031,152
Improvements other than buildings	14,003,554	824,584	-	14,828,138
Machinery and equipment	1,825,346	106,200	-	1,931,546
Furniture and fixtures	203,553	336	-	203,889
Intangibles	118,080	12,669	-	130,749
<b>Total accumulated depreciation and amortization</b>	<b>17,059,512</b>	<b>1,065,962</b>	<b>-</b>	<b>18,125,474</b>
 <b>Total capital assets being depreciated, net</b>	<b>15,803,047</b>	<b>(808,890)</b>	<b>356,025</b>	<b>15,350,182</b>
 Business-type activities capital assets, net	<b><u>\$ 19,539,439</u></b>	<b><u>\$ (506,356)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 19,033,083</u></b>

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 6. Capital Assets (Continued)**

Business-type activities:

Water and Sewer	\$ 679,695
Golf Course	215,091
Chestnut Grove Cemetery	140,643
Downtown Parking Enterprise	30,533
<b>Total depreciation and amortization expense - business-type activities</b>	<b><u>\$ 1,065,962</u></b>

**Note 7. Long-Term Obligations**

The following is a summary of long-term liability activity for the year ended June 30, 2009:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Bonds and notes payable:					
General obligation bonds	\$ 18,793,509	\$ -	\$ 1,549,623	\$ 17,243,886	\$ 1,609,517
Note payable	360,000	-	165,000	195,000	195,000
Total	19,153,509	-	1,714,623	17,438,886	1,804,517
Compensated absences	2,055,883	1,968,024	1,845,722	2,178,185	543,658
Governmental activities long-term liabilities	21,209,392	1,968,024	3,560,345	19,617,071	<u>\$ 2,348,175</u>
Plus deferred amount for bond premium	39,232	-	2,176	37,056	
Less deferred amount for bond discounts	(78,376)	-	(4,883)	(73,493)	
	<u>\$ 21,170,248</u>	<u>\$ 1,968,024</u>	<u>\$ 3,557,638</u>	<u>\$ 19,580,634</u>	

Annual requirements to amortize long-term bonded debt are as follows:

Year Ending June 30,	General Long-Term Debt			
	General Obligation Bonds		Note Payable	
	Principal	Interest	Principal	Interest
2010	\$ 1,609,517	\$ 717,607	\$ 195,000	\$ 1,295
2011	1,653,553	646,247	-	-
2012	1,229,411	583,810	-	-
2013	1,274,306	530,765	-	-
2014	1,306,271	475,283	-	-
2015-2019	4,482,515	1,775,217	-	-
2020-2024	4,896,013	730,733	-	-
2025-2027	792,300	42,060	-	-
	<u>\$ 17,243,886</u>	<u>\$ 5,501,722</u>	<u>\$ 195,000</u>	<u>\$ 1,295</u>

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 7. Long-Term Obligations (Continued)**

**General Obligation Bonds**

Refunding bonds issued December 1, 1993, interest at 5.10% to 5.2% payable semi-annually, annual maturity from \$430,000 to \$450,000 through December 2010	\$ 880,000
Public improvement bonds issued June 1, 2001, interest at 4.00% to 4.88%, payable semi-annually, annual maturity from \$131,818 to \$213,838 through June 2021	2,027,072
Refunding bonds issued February 15, 2002, interest at 4.00% payable semi-annually, annual maturity from \$505,000 to \$515,000 through August 2013	2,555,000
Tax-exempt public improvement bonds issued December 1, 2003, interest at 2.52% to 4.52% payable semi-annually, annual maturity beginning in fiscal year 2016 from \$425,000 to \$625,000 through August 2023	4,700,000
Taxable public improvement bonds issued December 1, 2003, interest at 4.15% to 5.02% payable semi-annually, annual maturity from \$340,000 to \$420,000 through August 2014	2,260,000
Tax-exempt public improvement bonds issued December 1, 2005, interest at 4.0% to 4.5% payable semi-annually, annual maturity from \$185,000 to \$350,000 through August 2025	4,355,000
Tax-exempt public improvement bonds issued February 8, 2007, interest at 3.75% to 5.25%, payable semi-annually, annual maturity from \$17,699 to \$37,611 through February 2027	<u>466,814</u>
<b>Total general obligation bonds</b>	<b><u>\$ 17,243,886</u></b>

**Note Payable:**

\$830,000 VML/VACO Finance Program note payable, due July 2010, plus interest due monthly at the current annualized interest rate (1.04% at June 30, 2009)	<u>\$ 195,000</u>
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# TOWN OF HERNDON, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Long-Term Obligations (Continued)

In June 2001 and February 2007, public improvement bonds were issued, the proceeds of which have been used to finance governmental and business-type activities (golf course and cemetery). This debt is being accounted for in the respective fund that utilized the debt proceeds.

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type activities:					
Serial bonds	\$ 3,221,491	\$ -	\$ 145,377	\$ 3,076,114	\$ 155,483
Compensated absences	206,675	105,027	91,472	220,230	17,827
Plus deferred amount for bond premium	69,307	-	3,730	65,577	-
Less deferred amount for bond discount	(21,461)	-	(1,662)	(19,799)	-
Business-type activities long-term liabilities	\$ 3,476,012	\$ 105,027	\$ 238,917	\$ 3,342,122	\$ 173,310

Annual requirements to amortize long-term debt are as follows:

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2010	\$ 155,483	\$ 142,763
2011	161,447	135,922
2012	165,589	129,534
2013	175,694	122,714
2014	183,729	115,192
2015-2019	1,042,485	450,108
2020-2024	813,987	196,642
2025-2027	377,700	38,356
	<u>\$ 3,076,114</u>	<u>\$ 1,331,231</u>

#### Serial bonds:

Public improvement bonds issued June 1, 2001;  
interest at 4.0% to 4.88% payable semi-annually;  
annual maturity from \$86,970 to \$151,162 through  
June 2021, less unamortized amount of \$19,799

Golf Course Fund Long-Term Debt	Cemetery Fund Long-Term Debt
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\$ 896,131	\$ 516,998
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Public improvement bonds, issued February 8, 2007,  
interest at 3.5% to 5.25% payable semi-annually,  
annual maturity from \$58,407 to \$132,389 through  
February 2027, plus unamortized amount of \$65,577

-	1,708,763
<u>\$ 896,131</u>	<u>\$ 2,225,761</u>

The available legal debt margin mandated by the Commonwealth of Virginia is \$440,984,412 which is computed based upon 10% of the assessed value of real estate subject to taxation less applicable bonded debt.

## TOWN OF HERNDON, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 8. Retirement and Pension Plans

The town employees are covered under various retirement plans as follows:

##### A. Plan Description

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% sheriffs and, if the employer elects, to other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for an annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/pdf/publications/2008annurept.pdf> or obtained by writing to the System's Chief Financial Officer at P. O. Box 2500, Richmond, Virginia, 23218-2500.

##### B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution has been assumed by the town. In addition, the town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The Town of Herndon's contribution rate for the fiscal year ended June 30, 2009 was 11.92% of annual covered payroll.

**TOWN OF HERNDON, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 8. Retirement and Pension Plans (Continued)**

**C. Annual Pension Cost (APC)**

For fiscal year 2009, the town's annual pension cost of \$1,826,884 was equal to the town's required and actual contributions.

Three-year trend information for the town is as follows:

Fiscal Year Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
June 30, 2009	\$ 1,826,884	100%	\$ -
June 30, 2008	1,801,517	100%	-
June 30, 2007	1,679,543	100%	-

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2007 was 20 years.

**D. Funded Status and Funding Progress**

As of June 30, 2008, the most recent actuarial valuation date, the Plan was 96% funded. The actuarial accrued liability for benefits was \$43,113,324, and the actuarial value of assets was \$41,580,907, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,532,417. The covered payroll (annual payroll of active employees covered by the Plan) was \$14,781,700, and ratio of the UAAL to the covered payroll was 10%.

The Schedule of Funding Progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 8. Retirement and Pension Plans (Continued)**

Police Retirement Plan:

Plan Description

The Town of Herndon Police Supplemental Retirement Plan (Plan) is a defined contribution plan established by the town to provide retirement benefits, supplemental to VRS, for town police officers. The Plan is administered by the town. The town contributes an amount equal to three percent of the officer's wages; the officers make no contribution.

The town's police officers are enrolled in the Law Enforcement Officers retirement program within the Virginia Retirement System. The police officers are provided benefits equivalent to those provided for State police officers as set out in Section 51.1-138 of the *Code of Virginia*.

The town's payroll for employees covered by the Plan for the year ended June 30, 2009 was approximately \$5,498,472, which was 31% of the total town payroll of \$17,650,654. There were 83 participants in the Plan at June 30, 2009. The Plan has eight distribution options available to the officers upon retirement, separation from service, death, disability or termination of the Plan. Town contributions recorded as pension expenditure totaled \$133,672 for the fiscal year ended June 30, 2009. Data concerning the value of vested and nonvested benefits as of June 30, 2009 is as follows:

Vested benefits	\$ 1,693,045
Nonvested benefits	106,330
	<u>\$ 1,799,375</u>

**Vesting**

Contributions by the town will vest to the benefit of the officer for which they are made according to the following schedule:

Years of Service as Herndon Police Officer	Vested Percentage
Fewer than 3 years	None
3 years but fewer than 4	20
4 years but fewer than 5	40
5 years but fewer than 6	60
6 years but fewer than 7	80
7 years or more	100

**TOWN OF HERNDON, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**Note 8. Retirement and Pension Plans (Continued)**

**Significant Accounting Policies**

*Basis of Accounting:* The Plan financial statements are prepared using the accrual basis of accounting.

*Reporting:* The Plan is accounted for as a pension trust fund of the town.

*Investment Valuation and Income Recognition:* Shares of registered investment companies (mutual funds) are reported at fair value based on the quoted market price of the mutual fund, which represents the net asset value of the shares held by the Plan.

*Payment of Benefits:* Benefits are recorded when paid.

In addition, State statutes authorize the town to purchase other investments for pension funds that meet the standard of judgment and care set forth in the *Code of Virginia*. These additional investments may include obligations of other states, political subdivisions thereof, or mutual funds.

**Concentrations**

At June 30, 2009, Plan assets were comprised of mutual funds investing in stocks, bonds, guaranteed investment contracts, and U. S. government securities. The following table presents the fair value of the investments in this Plan. Single investments representing more than 5% of the Plan's net assets as of June 30, 2009 and 2008 are separately identified.

Investments at Fair Value as Determined by Quoted Market Prices	2009	2008
Mutual Funds:		
Federated Capital Preservation	\$ 478,124	\$ 337,268
Janus Twenty Fund, Inc.	244,916	340,826
Legg Mason Value Trust	-	137,078
Vanguard Index Trust 500 Index	388,702	236,471
Valueline U. S. Government Securities	-	347,217
Vanguard Bond Index FD Interm.	317,746	-
Vanguard Mid-Cap Growth Index Inv	118,526	-
Other Investments Individually Less Than 5% of Plan Assets	246,167	549,467
	<u>\$ 1,794,181</u>	<u>\$ 1,948,327</u>



**TOWN OF HERNDON, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 9. Other Postemployment Benefits**

**A. Plan Description**

Other postemployment benefits (OPEB) provided by the town include single-employer, defined contribution retiree health insurance premium plans.

A retiree, eligible for the plan, is defined as a full-time employee who is participating in the employer's medical and dental program, and may elect coverage if the employee is (a) eligible for VRS retirement (i.e. General Employees: earlier of age 50 and 10 years of service or age 55 and 5 years of service; Hazardous Duty Employees: age 50 and 7 years of service, or (b) disabled employees who qualify for VRS disability (no age or service requirement in VRS). The plan does not issue stand-alone financial reports.

**B. Funding Policy**

The town Council establishes employer contribution rates for their respective plan participants. The Council has chosen to fund the healthcare benefits on a pay-as-you-go basis.

**C. Annual OPEB Cost and Net OPEB Obligation**

In July 2008, the town had an actuarial valuation of postemployment benefits performed. The annual cost of OPEB under GASB Statement No. 45 is called the annual required contribution or ARC. The pay-as-you-go cost for OPEB benefits for the town's plan is \$146,000 and the annual benefit cost is \$569,000. The percentage of annual OPEB cost contributed is 25.66%.

GASB Statement No. 45 does not require prefunding of OPEB liabilities and the town has elected not to prefund OPEB liabilities at this time. The difference between the OPEB annual expense and cash payments for OPEB benefits is treated as a liability in the financial statements when the liability is not prefunded. At June 30, 2009, the town has recorded a liability of \$423,000 on the Statement of Net Assets. (\$373,901 governmental activities and \$49,099 business-type activities)

The town is required to contribute the ARC of the employer, an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the calculation of the net OPEB obligations at June 30, 2009:

Annual Required Contribution (ARC)	\$	569,000
Less: cash payments		146,000
Net OPEB obligation at year-end	\$	<u>423,000</u>

**TOWN OF HERNDON, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 9. Other Postemployment Benefits (Continued)**

**D. Funding Status and Funding Progress**

As of July 1, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial value of assets was \$-0-, resulting in an unfunded actuarial liability (UAAL) of \$5,284,000 for the town's plan.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan are compared with past expectations and new estimates are made for the future. The Schedule of Funding Progress, presented as Required Supplementary Information following the notes to the financial statements, presents trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**E. Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2008 actuarial valuation, the Entry Age Normal cost method was used. The actuarial assumptions include a four and one-quarter percent rate of return, assumed salary scale increase of two and one-half percent, and an annual healthcare cost trend rate of ten percent initially, reduced by one percent decrements to an ultimate rate of five percent. The unfunded liability is amortized over a period of 30 years based on a level percent of payroll method.

**Note 10. Interfund Receivables and Payables**

Interfund balances as of June 30, 2009 are as follows:

Receivable Fund	Payable Fund	Amount
General	Enterprise: Chestnut Grove Cemetery	\$ 202,640
General	Governmental: Capital Projects	\$ 197,500
	Total	\$ 400,140

Interfund receivables are recorded to disclose interfund loan balances in the payable funds due at year end.

**TOWN OF HERNDON, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**Note 11. Interfund Transfers**

A summary of interfund transfer activity is presented as follows:

	General Fund	Chestnut Grove Cemetery Perpetual Care Fund	Chestnut Grove Cemetery Fund	Total Transferred In
<b>Transfer To Fund:</b>				
Primary government:				
Governmental activities:				
Capital Projects Fund	\$ 216,500	\$ -	\$ -	\$ 216,500
Information Systems Improvement Fund	306,000	-	-	306,000
Perpetual Care Fund	-	-	29,356	29,356
Business-type activities:				
Chestnut Grove Cemetery Fund	-	75,608	-	75,608
<b>Total Transferred Out</b>	<b>\$ 522,500</b>	<b>\$ 75,608</b>	<b>\$ 29,356</b>	<b>\$ 627,464</b>

The transfers from the General Fund to the Capital Projects Fund and Information Systems Improvement Fund is for capital project expenditures.

The transfer from the Chestnut Grove Cemetery Perpetual Care Fund to the Chestnut Grove Cemetery Fund is for interest income.

The transfer from the Chestnut Grove Cemetery Fund to the Chestnut Grove Cemetery Perpetual Care Fund is for cemetery site sales.

**Note 12. Surety Bonds**

The town maintains surety bonding with Virginia Municipal Liability Pool as follows:

Official's Name	Title of Official	Amount of Surety Bond
Stephen J. DeBenedittis	Mayor	\$ 250,000
Arthur A. Anselene	Town Manager	250,000
Mary K. Tuohy	Director of Finance	250,000
Stephan A. Greennagel	Deputy Director of Finance	250,000
Myra L. King	Revenue Supervisor	250,000
Diane C. Erway	Purchasing Agent	250,000
Cindy S. Roeder	Director of Parks and Recreation	250,000
Elizabeth M. Gilleran	Director of Community Development	250,000
Robert B. Boxer	Director of Public Works	250,000
Toussaint Summers, Jr.	Chief of Police	250,000
William H. Ashton, III	Director of Information Technology	250,000
Linda A. Simmons	Director of Human Resources	250,000
Gene A. Fleming	Director of Golf	250,000

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 13. Contingency**

Federal and State-Assisted Programs

The town has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

**Note 14. Operating Lease Commitments**

The town rents various properties from other organizations under both cancellable and noncancelable operating leases. Rental costs approximated \$185,000 in the General Fund in 2009.

Rental commitments under noncancelable operating leases at June 30, 2009 are approximately \$131,000 for the year ended June 30, 2009, with options for renewal at the conclusion of the lease.

**Note 15. Commitments and Subsequent Event**

At June 30, 2009, the town had one significant contractual commitment totaling approximately \$877,000 for General Fund construction of the Town Shop addition capital project.

The town was contacted by the Environmental Protection Agency (EPA) in November 2007 concerning its investigation of a release, or threat of release, of hazardous substances, pollutants or containments into the environment at the Hidden Lane Landfill in Loudoun County, Virginia. The town has furnished all information and documents in relation to any town use of this landfill between 1971 and 1983 to the EPA. The EPA's investigation was still on-going at June 30, 2009 and no indication of potential town liability has been determined.

On October 1, 2009, the town issued \$1,765,000 in variable Rate Demand Revenue Bonds, Series 2009. The purpose of this financing includes improvements to and expansion of the Town Shop, upgrades to the Herndon Centennial Golf Course, road improvements, and storm drainage construction. Principal payments ranging from \$135,000 to \$140,000 in annual installments, plus variable interest rates, through July 2024.

TOWN OF HERNDON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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**Note 16. Pending GASB Statements**

At June 30, 2009, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the town. The statements which might impact the town are as follows:

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, establishes accounting and financial reporting requirements for intangible assets, particularly in the areas of recognition, initial measurement, and amortization to reduce inconsistencies of reporting among state and local governments. Statement No. 51 will be effective for periods beginning after June 15, 2009.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Statement No. 53 will be effective for periods beginning after June 15, 2009.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes standards to enhance the usefulness of fund balance information by providing clearer fund balance classifications that comprise hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Statement No. 54 will be effective for periods beginning after June 15, 2010.

The town has not determined the financial reporting effect that any of these statements will have upon the town.



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**REQUIRED SUPPLEMENTARY INFORMATION**



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**TOWN OF HERNDON, VIRGINIA**

**SCHEDULE OF FUNDING PROGRESS - VIRGINIA RETIREMENT SYSTEM**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
June 30, 2008	\$ 41,580,907	\$ 43,113,324	\$ 1,532,417	96.45%	\$ 14,781,700	10.37%
June 30, 2007	36,607,652	38,719,382	2,111,730	94.55%	13,224,304	15.97%
June 30, 2006	31,672,652	34,948,929	3,276,277	90.63%	13,158,014	24.90%

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**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
July 1, 2008	\$ -	\$ 5,284,000	\$ 5,284,000	0.00%	\$ 14,781,700	35.75%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS - OTHER POSTEMPLOYMENT BENEFITS**

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2009	\$ 569,000	25.66%



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**SUPPLEMENTARY INFORMATION**



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## **Nonmajor Governmental Funds**

### **Special Revenue Fund**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes. The town's special revenue fund is the Chestnut Grove Cemetery Perpetual Care Fund.

### **Capital Projects Fund**

Capital projects funds are generally used to account for the acquisition and construction of major capital projects other than those financed by proprietary funds and trust funds. The Information Systems Improvement Fund accounts for the town's acquisition of telecommunications equipment, computer hardware and software and other automated systems.

**TOWN OF HERNDON, VIRGINIA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2009**

**Exhibit B-1**

	<u>Special Revenue</u> Chestnut Grove Cemetery Perpetual Care Fund	<u>Capital Projects</u> Information Systems Improvement Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash, cash equivalents and temporary cash investments	\$ 1,284,677	\$ 281,211	\$ 1,565,888
Accrued interest	13,658	-	13,658
<b>Total assets</b>	<b>\$ 1,298,335</b>	<b>\$ 281,211</b>	<b>\$ 1,579,546</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	\$ 29,973	\$ 29,973
Fund balances:			
Reserved for:			
Cemetery perpetual care	1,298,335	-	1,298,335
Unreserved:			
Designated for subsequent years' expenditures	-	165,574	165,574
Undesignated	-	85,664	85,664
<b>Total fund balances</b>	<b>1,298,335</b>	<b>251,238</b>	<b>1,549,573</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,298,335</b>	<b>\$ 281,211</b>	<b>\$ 1,579,546</b>

## TOWN OF HERNDON, VIRGINIA

Exhibit B-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2009**

	<u>Special Revenue</u> Chestnut Grove Cemetery Perpetual Care Fund	<u>Capital Projects</u> Information Systems Improvement Fund	Total Nonmajor Governmental Funds
Revenues:			
Revenue from local sources:			
Use of money and property	\$ 75,608	\$ -	\$ 75,608
<b>Total revenues</b>	<u>75,608</u>	<u>-</u>	<u>75,608</u>
Expenditures:			
Capital outlay	<u>-</u>	<u>209,724</u>	<u>209,724</u>
<b>Revenues over (under) expenditures</b>	<u>75,608</u>	<u>(209,724)</u>	<u>(134,116)</u>
Other financing sources (uses):			
Transfers in	29,356	306,000	335,356
Transfers out	<u>(75,608)</u>	<u>-</u>	<u>(75,608)</u>
<b>Total other financing sources (uses), net</b>	<u>(46,252)</u>	<u>306,000</u>	<u>259,748</u>
<b>Net change in fund balances</b>	29,356	96,276	125,632
Fund balances, July 1	<u>1,268,979</u>	<u>154,962</u>	<u>1,423,941</u>
Fund balances, June 30	<u>\$ 1,298,335</u>	<u>\$ 251,238</u>	<u>\$ 1,549,573</u>



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**SUPPLEMENTAL SCHEDULES**

## TOWN OF HERNDON, VIRGINIA

Exhibit B-3

**GENERAL FUND**  
**COMPARATIVE BALANCE SHEETS**  
**June 30, 2009**  
**(With Comparative Amounts for 2008)**

	2009	2008
<b>ASSETS</b>		
Cash, cash equivalents and temporary cash investments	\$ 10,174,806	\$ 10,281,496
Receivables (net of allowance for doubtful accounts):		
Property taxes	5,099,632	5,561,927
Accounts and other services	965,617	1,070,976
Accrued interest	39,945	34,040
Due from other governments	405,359	487,862
Inventories	232,837	130,948
Prepaid costs	63,951	76,053
Advances to other funds	400,140	461,305
<b>Total assets</b>	<b>\$ 17,382,287</b>	<b>\$ 18,104,607</b>
<b>LIABILITIES</b>		
Liabilities:		
Accounts payable	\$ 590,582	\$ 877,248
Accrued payroll	615,037	549,407
Accrued liabilities - other	571,826	612,964
Deferred revenue	5,222,139	5,666,270
Deposits	2,565,748	2,587,913
<b>Total liabilities</b>	<b>9,565,332</b>	<b>10,293,802</b>
Fund balances:		
Reserved for:		
Inventories	232,837	130,948
Prepaid costs	63,951	76,053
Loan to Capital Projects Fund	197,500	231,000
Loan to Cemetery Fund	202,640	230,305
Unreserved:		
Designated for encumbrances	479,420	708,799
Designated for subsequent years' expenditures	1,067,728	1,368,011
Undesignated	5,572,879	5,065,689
<b>Total fund balances</b>	<b>7,816,955</b>	<b>7,810,805</b>
<b>Total liabilities and fund balances</b>	<b>\$ 17,382,287</b>	<b>\$ 18,104,607</b>

## TOWN OF HERNDON, VIRGINIA

Exhibit B-4  
Page 1GENERAL FUND  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
<b>Revenue from local sources:</b>				
<b>General property taxes:</b>				
Real estate taxes	\$ 10,955,900	\$ 10,955,900	\$ 11,004,174	\$ 48,274
Elderly tax relief exemption	-	-	(82,598)	(82,598)
Public service corporation taxes	366,800	366,800	340,343	(26,457)
Penalties and interest	73,500	73,500	53,453	(20,047)
<b>Total general property taxes</b>	<b>11,396,200</b>	<b>11,396,200</b>	<b>11,315,372</b>	<b>(80,828)</b>
<b>Other local taxes:</b>				
Consumer utility taxes	788,400	788,400	780,020	(8,380)
Right of way use fees	153,400	153,400	167,430	14,030
Cigarette taxes	323,200	323,200	307,047	(16,153)
Transient occupancy taxes	2,466,300	2,466,300	2,493,698	27,398
Bank stock taxes	366,300	366,300	215,594	(150,706)
Cable T.V. franchise fees	123,200	123,200	135,111	11,911
Business licenses tax	2,861,400	2,861,400	3,458,908	597,508
Utility consumption tax	99,400	99,400	98,014	(1,386)
Motor vehicle licenses	272,700	272,700	285,356	12,656
Local sales tax	1,619,900	1,619,900	1,511,792	(108,108)
Meals tax	1,197,100	1,197,100	1,103,744	(93,356)
5% communications tax	1,941,900	1,941,900	1,796,554	(145,346)
<b>Total other local taxes</b>	<b>12,213,200</b>	<b>12,213,200</b>	<b>12,353,268</b>	<b>140,068</b>
<b>Permits, privilege fees and regulatory licenses:</b>				
Planning fees	97,500	97,500	75,081	(22,419)
Building inspection fees and permits	224,800	224,800	276,769	51,969
Right of way permit fees	10,700	10,700	9,430	(1,270)
<b>Total permits, privilege fees and regulatory licenses</b>	<b>333,000</b>	<b>333,000</b>	<b>361,280</b>	<b>28,280</b>
<b>Fines and forfeitures:</b>				
Court fines and costs	40,400	40,400	50,401	10,001
Court fees - Fairfax County	475,700	475,700	500,244	24,544
Court maintenance fees	11,500	11,500	12,236	736
Overweight vehicle fines	200	200	-	(200)
Zoning fines	39,100	39,100	30,750	(8,350)
<b>Total fines and forfeitures</b>	<b>566,900</b>	<b>566,900</b>	<b>593,631</b>	<b>26,731</b>

## TOWN OF HERNDON, VIRGINIA

Exhibit B-4  
Page 2GENERAL FUND  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
<b>Revenue from local sources: (Continued)</b>				
<b>Use of money and property:</b>				
Interest on investments	\$ 352,000	\$ 352,000	\$ 431,228	\$ 79,228
Rental income	481,400	481,400	478,900	(2,500)
<b>Total use of money and property</b>	<b>833,400</b>	<b>833,400</b>	<b>910,128</b>	<b>76,728</b>
<b>Charges for services:</b>				
Franchise lease	86,600	86,600	89,937	3,337
Sale of publications	100	100	15	(85)
Commercial refuse collection	20,700	20,700	23,550	2,850
Recycling collection	51,000	51,000	51,015	15
Recreation program fees	1,467,600	1,467,600	1,464,893	(2,707)
Admission fees	398,000	398,000	489,597	91,597
Park operation	6,000	6,000	7,739	1,739
Herndon festival	270,000	270,000	292,797	22,797
Concession	48,300	48,300	44,746	(3,554)
Rental income - parks & recreation	69,300	69,300	54,442	(14,858)
Tennis/multi-use facility	209,000	209,000	197,132	(11,868)
Newspaper sales	49,600	49,600	20,635	(28,965)
Quasi - external revenue - charges for administration, personnel and other services:				
Cemetery fund	12,390	12,390	12,390	-
Golf course fund	25,550	25,550	25,550	-
Water and sewer fund	383,850	383,850	383,850	-
<b>Total charges for services</b>	<b>3,097,990</b>	<b>3,097,990</b>	<b>3,158,288</b>	<b>60,298</b>
<b>Miscellaneous:</b>				
Miscellaneous	40,000	40,000	18,482	(21,518)
<b>Total revenue from local sources</b>	<b>28,480,690</b>	<b>28,480,690</b>	<b>28,710,449</b>	<b>229,759</b>
<b>Intergovernmental:</b>				
From the County of Fairfax:				
Contribution for neighborhood resource center	193,600	193,600	195,616	2,016
<b>Total from County of Fairfax</b>	<b>193,600</b>	<b>193,600</b>	<b>195,616</b>	<b>2,016</b>

## TOWN OF HERNDON, VIRGINIA

Exhibit B-4  
Page 3GENERAL FUND  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
<b>From the Commonwealth:</b>				
<b>Non-categorical aid:</b>				
Police reimbursement (Section 599)	\$ 652,368	\$ 652,368	\$ 627,846	\$ (24,522)
Vehicle rental taxes	96,000	96,000	42,626	(53,374)
<b>Total non-categorical aid</b>	<b>748,368</b>	<b>748,368</b>	<b>670,472</b>	<b>(77,896)</b>
<b>Categorical aid:</b>				
Fire fund program	57,100	57,100	58,930	1,830
Litter control grant	5,900	5,900	5,809	(91)
Financial assistance for the arts	12,500	12,500	-	(12,500)
Virginia Attorney General triad program	-	-	1,781	1,781
Alternative fuel vehicle grant	16,000	16,000	-	(16,000)
VDOT capital construction grant	100,000	100,000	-	(100,000)
Regional surface transportation program preliminary engineering allocation	560,000	560,000	-	(560,000)
	1,431,800	1,431,800	1,464,248	32,448
<b>Total categorical aid</b>	<b>2,183,300</b>	<b>2,183,300</b>	<b>1,530,768</b>	<b>(652,532)</b>
<b>Total from the Commonwealth</b>	<b>2,931,668</b>	<b>2,931,668</b>	<b>2,201,240</b>	<b>(730,428)</b>
<b>From the Federal government:</b>				
<b>Categorical aid:</b>				
VEST grant	-	-	1,650	1,650
HPC grant	-	-	4,883	4,883
CMAQ grant	-	-	138,347	138,347
JAG grant	-	-	12,672	12,672
JJDP grant	171,800	171,800	174,580	2,780
Highway safety grant	25,000	25,000	25,090	90
<b>Total from the Federal government</b>	<b>196,800</b>	<b>196,800</b>	<b>357,222</b>	<b>160,422</b>
<b>Total intergovernmental revenue</b>	<b>3,322,068</b>	<b>3,322,068</b>	<b>2,754,078</b>	<b>(567,990)</b>
<b>Total General Fund revenues</b>	<b>\$ 31,802,758</b>	<b>\$ 31,802,758</b>	<b>\$ 31,464,527</b>	<b>\$ (338,231)</b>

## TOWN OF HERNDON, VIRGINIA

Exhibit B-5  
Page 1GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
<b>Legislative:</b>				
Personnel services	\$ 360,995	\$ 360,995	\$ 362,176	\$ 1,181
Operations and maintenance	278,400	296,777	289,069	(7,708)
<b>Total legislative</b>	<b>639,395</b>	<b>657,772</b>	<b>651,245</b>	<b>(6,527)</b>
<b>Administration:</b>				
<b>Public information:</b>				
Personnel services	150,588	150,588	155,324	4,736
Operations and maintenance	91,150	101,150	78,642	(22,508)
	<b>241,738</b>	<b>251,738</b>	<b>233,966</b>	<b>(17,772)</b>
<b>Town manager:</b>				
Personnel services	311,608	311,608	322,414	10,806
Operations and maintenance	17,350	17,750	16,212	(1,538)
	<b>328,958</b>	<b>329,358</b>	<b>338,626</b>	<b>9,268</b>
<b>Human resources:</b>				
Personnel services	439,638	444,638	372,770	(71,868)
Operations and maintenance	134,950	151,110	126,264	(24,846)
	<b>574,588</b>	<b>595,748</b>	<b>499,034</b>	<b>(96,714)</b>
<b>Information services:</b>				
Personnel services	612,314	612,314	645,596	33,282
Operations and maintenance	275,295	282,966	230,411	(52,555)
Capital outlay	8,500	8,500	8,538	38
	<b>896,109</b>	<b>903,780</b>	<b>884,545</b>	<b>(19,235)</b>

## TOWN OF HERNDON, VIRGINIA

Exhibit B-5  
Page 2GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
<b>Administration: (Continued)</b>				
<b>Neighborhood resources:</b>				
Personnel services	\$ 300,059	\$ 295,059	\$ 233,768	\$ (61,291)
Operations and maintenance	236,750	268,909	253,813	(15,096)
	536,809	563,968	487,581	(76,387)
<b>Total administration</b>	2,578,202	2,644,592	2,443,752	(200,840)
<b>Town attorney:</b>				
Personnel services	311,507	311,507	322,292	10,785
Operations and maintenance	196,055	289,479	200,654	(88,825)
<b>Total town attorney</b>	507,562	600,986	522,946	(78,040)
<b>Parks and recreation:</b>				
<b>Administration:</b>				
Personnel services	441,714	441,714	421,700	(20,014)
Operations and maintenance	106,450	113,286	91,827	(21,459)
Capital outlay	-	50	50	-
	548,164	555,050	513,577	(41,473)
<b>Recreation programs:</b>				
Personnel services	904,024	904,024	908,768	4,744
Operations and maintenance	631,000	654,225	584,018	(70,207)
Capital outlay	-	6,150	5,529	(621)
	1,535,024	1,564,399	1,498,315	(66,084)
<b>Community center operations:</b>				
Personnel services	819,811	819,811	818,635	(1,176)
Operations and maintenance	192,200	192,424	204,864	12,440
Capital outlay	-	249	249	-
	1,012,011	1,012,484	1,023,748	11,264

## TOWN OF HERNDON, VIRGINIA

Exhibit B-5  
Page 3GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
<b>Parks and recreation: (Continued)</b>				
<b>Aquatics programs and operations:</b>				
Personnel services	\$ 536,910	\$ 536,910	\$ 560,873	\$ 23,963
Operations and maintenance	156,200	156,312	139,053	(17,259)
	693,110	693,222	699,926	6,704
<b>Park operations and development:</b>				
Personnel services	76,447	76,447	65,740	(10,707)
Operations and maintenance	79,800	115,700	84,734	(30,966)
Capital outlay	3,000	25,000	10,826	(14,174)
	159,247	217,147	161,300	(55,847)
<b>Total parks and recreation</b>	<b>3,947,556</b>	<b>4,042,302</b>	<b>3,896,866</b>	<b>(145,436)</b>
<b>Finance:</b>				
<b>Administration:</b>				
Personnel services	205,710	205,710	207,297	1,587
Operations and maintenance	323,970	321,462	315,129	(6,333)
Capital outlay	-	400	-	(400)
	529,680	527,572	522,426	(5,146)
<b>Billing and accounting:</b>				
Personnel services	391,056	391,056	393,770	2,714
Operations and maintenance	26,100	26,834	19,052	(7,782)
Capital outlay	-	800	-	(800)
	417,156	418,690	412,822	(5,868)
<b>Revenue:</b>				
Personnel services	228,620	228,620	236,324	7,704
Operations and maintenance	33,150	33,303	31,241	(2,062)
Capital outlay	-	200	-	(200)
	261,770	262,123	267,565	5,442



**TOWN OF HERNDON, VIRGINIA**

**Exhibit B-5  
Page 4**

**GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Over (Under)</u>
<b>Finance: (Continued)</b>				
<b>Procurement:</b>				
Personnel services	\$ 78,031	\$ 78,031	\$ 79,545	\$ 1,514
Operations and maintenance	7,610	11,669	8,744	(2,925)
	<u>85,641</u>	<u>89,700</u>	<u>88,289</u>	<u>(1,411)</u>
<b>Total finance</b>	<u>1,294,247</u>	<u>1,298,085</u>	<u>1,291,102</u>	<u>(6,983)</u>
<b>Community development:</b>				
<b>Administration:</b>				
Personnel services	1,247,471	1,247,471	1,235,981	(11,490)
Operations and maintenance	139,800	225,473	91,121	(134,352)
	<u>1,387,271</u>	<u>1,472,944</u>	<u>1,327,102</u>	<u>(145,842)</u>
<b>Community Inspections:</b>				
Personnel services	538,616	538,616	508,744	(29,872)
Operations and maintenance	40,100	44,152	18,087	(26,065)
	<u>578,716</u>	<u>582,768</u>	<u>526,831</u>	<u>(55,937)</u>
<b>Total community development</b>	<u>1,965,987</u>	<u>2,055,712</u>	<u>1,853,933</u>	<u>(201,779)</u>
<b>Police:</b>				
<b>Field operations:</b>				
Personnel services	4,832,586	4,832,586	4,959,503	126,917
Operations and maintenance	157,000	159,085	177,333	18,248
Capital outlay	152,030	154,192	133,981	(20,211)
	<u>5,141,616</u>	<u>5,145,863</u>	<u>5,270,817</u>	<u>124,954</u>
<b>Support services:</b>				
Personnel services	3,109,537	3,114,537	2,971,195	(143,342)
Operations and maintenance	412,505	429,288	343,877	(85,411)
Capital outlay	77,100	83,280	77,063	(6,217)
	<u>3,599,142</u>	<u>3,627,105</u>	<u>3,392,135</u>	<u>(234,970)</u>
<b>Total police</b>	<u>8,740,758</u>	<u>8,772,968</u>	<u>8,662,952</u>	<u>(110,016)</u>

## TOWN OF HERNDON, VIRGINIA

Exhibit B-5

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**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Over (Under)</u>
<b>Public Works:</b>				
<b>Administration:</b>				
Personnel services	\$ 804,551	\$ 805,854	\$ 805,212	\$ (642)
Operations and maintenance	45,100	52,634	42,437	(10,197)
	<u>849,651</u>	<u>858,488</u>	<u>847,649</u>	<u>(10,839)</u>
<b>Engineering:</b>				
Personnel services	448,656	450,853	449,045	(1,808)
Operations and maintenance	69,200	137,524	86,775	(50,749)
	<u>517,856</u>	<u>588,377</u>	<u>535,820</u>	<u>(52,557)</u>
<b>Program management:</b>				
Personnel services	252,649	242,649	210,439	(32,210)
Operations and maintenance	11,400	22,485	2,795	(19,690)
	<u>264,049</u>	<u>265,134</u>	<u>213,234</u>	<u>(51,900)</u>
<b>Building inspections:</b>				
Personnel services	494,919	481,069	439,143	(41,926)
Operations and maintenance	77,275	103,685	77,853	(25,832)
	<u>572,194</u>	<u>584,754</u>	<u>516,996</u>	<u>(67,758)</u>
<b>Building maintenance:</b>				
Personnel services	526,922	526,922	514,206	(12,716)
Operations and maintenance	739,370	1,035,971	940,325	(95,646)
Capital outlay	-	30,500	26,930	(3,570)
	<u>1,266,292</u>	<u>1,593,393</u>	<u>1,481,461</u>	<u>(111,932)</u>

## TOWN OF HERNDON, VIRGINIA

Exhibit B-5  
Page 6GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
<b>Public works: (Continued)</b>				
<b>Grounds maintenance:</b>				
Personnel services	\$ 680,178	\$ 680,178	\$ 457,199	\$ (222,979)
Operations and maintenance	265,280	278,380	125,958	(152,422)
Capital outlay	41,000	52,316	51,419	(897)
	<u>986,458</u>	<u>1,010,874</u>	<u>634,576</u>	<u>(376,298)</u>
<b>Street maintenance:</b>				
Personnel services	630,008	625,008	743,337	118,329
Operations and maintenance	707,000	872,187	1,035,616	163,429
Capital outlay	95,000	158,006	51,192	(106,814)
	<u>1,432,008</u>	<u>1,655,201</u>	<u>1,830,145</u>	<u>174,944</u>
<b>Refuse/recycling:</b>				
Personnel services	1,040,764	1,040,764	948,367	(92,397)
Operations and maintenance	493,211	493,211	490,423	(2,788)
Capital outlay	-	168,200	168,200	-
	<u>1,533,975</u>	<u>1,702,175</u>	<u>1,606,990</u>	<u>(95,185)</u>
<b>Vehicle and equipment maintenance:</b>				
Personnel services	753,775	753,775	727,257	(26,518)
Operations and maintenance	428,600	433,635	209,968	(223,667)
Capital outlay	40,000	40,000	-	(40,000)
	<u>1,222,375</u>	<u>1,227,410</u>	<u>937,225</u>	<u>(290,185)</u>
<b>Traffic engineering:</b>				
Personnel services	263,545	266,045	166,861	(99,184)
Operations and maintenance	176,675	252,797	41,375	(211,422)
Capital outlay	75,000	75,000	-	(75,000)
	<u>515,220</u>	<u>593,842</u>	<u>208,236</u>	<u>(385,606)</u>

## TOWN OF HERNDON, VIRGINIA

Exhibit B-5  
Page 7GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
<b>Public works: (Continued)</b>				
<b>Right of way inspections:</b>				
Personnel services	\$ 233,176	\$ 233,176	\$ 225,507	\$ (7,669)
Operations and maintenance	11,420	11,420	7,642	(3,778)
Capital outlay	-	4,215	4,214	(1)
	244,596	248,811	237,363	(11,448)
<b>Total public works</b>	9,404,674	10,328,459	9,049,695	(1,278,764)
<b>Grants:</b>				
Operations	-	9,413	169,494	160,081
<b>Total grants</b>	-	9,413	169,494	160,081
<b>Debt service:</b>				
Principal	1,714,623	1,714,623	1,714,623	-
Interest and fiscal charges	842,022	842,022	800,142	(41,880)
<b>Total debt service</b>	2,556,645	2,556,645	2,514,765	(41,880)
<b>Total General Fund expenditures</b>	\$ 31,635,026	\$ 32,966,934	\$ 31,056,750	\$ (1,910,184)

TOWN OF HERNDON, VIRGINIA

Exhibit B-6  
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CAPITAL PROJECTS FUND  
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)  
COMPARED WITH ESTIMATED REVENUES  
Year Ended June 30, 2009

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
Folly Lick Watershed:				
Builder contributions	\$ 413,140	\$ 413,140	\$ -	\$ 413,140
Transfer from General Fund	753,330	753,330	-	753,330
Proceeds from County of Fairfax	463,102	463,102	-	463,102
Interest on investments	635,223	635,223	-	635,223
Reallocation of remaining authorizations	(1,848,417)	(1,848,417)	-	(1,848,417)
Sugarland Run Watershed:				
Builder contributions	751,853	751,853	-	751,853
Interest on investments	798,370	798,370	-	798,370
Reallocation of remaining authorizations	(1,254,081)	(1,254,081)	-	(1,254,081)
Horse Pen Run Watershed:				
Builder contributions	21,581	21,581	-	21,581
Interest on investments	13,825	11,387	2,438	13,825
Spring Branch Watershed:				
Builder contributions	6,117	6,117	-	6,117
Interest on investments	1,081	1,081	-	1,081
Reallocation of remaining authorizations	(6,198)	(6,198)	-	(6,198)
Storm Drain Easement/Construction:				
Builder contributions	14,171	14,171	-	14,171
Transfer from General Fund	1,485,200	1,485,200	-	1,485,200
Interest on investments	176,640	144,189	32,451	176,640
Reallocation of remaining authorizations	231,223	135,291	95,932	231,223

TOWN OF HERNDON, VIRGINIA

Exhibit B-6  
Page 2

CAPITAL PROJECTS FUND  
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)  
COMPARED WITH ESTIMATED REVENUES  
Year Ended June 30, 2009

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
Huntmar-Spring/Van Buren Street Improvements:				
Builder bond default	\$ 18,750	\$ 18,750	\$ -	\$ 18,750
Interest on investments	22,835	20,719	2,116	22,835
Reallocation of remaining authorizations	(21,204)	(19,088)	(2,116)	(21,204)
Baker Building:				
Interest on investments	1,090	1,090	-	1,090
Reallocation of remaining authorizations	602	602	-	602
Traffic Signals and Automated Control Systems:				
Builder contributions	6,250	6,250	-	6,250
Federal/ state grants	62,149	-	62,149	62,149
Transfer from General Fund	572,294	572,294	-	572,294
Interest on investments	86,823	80,054	6,769	86,823
Reallocation of remaining authorizations	326,481	398,870	(72,389)	326,481
Streets - VDOT Contributions:				
Transfer from General Fund	90,000	90,000	-	90,000
Interest on investments	51,142	46,197	4,945	51,142
Reallocation of remaining authorizations	42,609	47,554	(4,945)	42,609
Street Light Installation:				
Transfer from General Fund	261,000	221,000	40,000	261,000
Interest on investments	64,320	54,047	10,273	64,320
Reallocation of remaining authorizations	(32,606)	(36,088)	3,482	(32,606)

TOWN OF HERNDON, VIRGINIA

Exhibit B-6  
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CAPITAL PROJECTS FUND  
SCHEDULE OF ACTUAL REVENUE AND OTHER FINANCING SOURCES (USES)  
COMPARED WITH ESTIMATED REVENUES  
Year Ended June 30, 2009

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
Ball Field Improvements/Recreation Facilities:				
Builder contributions	\$ 111,500	\$ 11,500	\$ 100,000	\$ 111,500
Donations	12,500	12,500	-	12,500
Fairfax County grant	12,500	12,500	-	12,500
Transfer from General Fund	336,214	336,214	-	336,214
Interest on investments	70,720	58,224	12,496	70,720
Reallocation of remaining authorizations	(214,048)	(101,552)	(112,496)	(214,048)
Herndon Community Center - Phase IV:				
Issuance of debt	4,800,000	4,800,000	-	4,800,000
Premium/(discount) on debt, net	(4,368)	(4,368)	-	(4,368)
Transfer from General Fund	1,290,000	1,290,000	-	1,290,000
Interest on investment	222,631	217,828	4,803	222,631
Reallocation of remaining authorizations	(1,340,623)	(1,329,668)	(10,955)	(1,340,623)
Locust Street Improvements:				
Builder contributions	61,083	61,083	-	61,083
Interest on investments	48,154	42,978	5,176	48,154
Reallocation of remaining authorizations	(63,265)	(58,089)	(5,176)	(63,265)
Downtown Street Improvements:				
Federal/state grants	736,659	694,339	42,320	736,659
Transfer from General Fund	1,623,968	1,623,968	-	1,623,968
Proceeds from bond issue	787,032	787,032	-	787,032
Interest on investments	430,739	361,435	69,304	430,739
Reallocation of remaining authorizations	(1,953,758)	(1,834,482)	(119,276)	(1,953,758)

TOWN OF HERNDON, VIRGINIA

Exhibit B-6  
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CAPITAL PROJECTS FUND  
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)  
COMPARED WITH ESTIMATED REVENUES  
Year Ended June 30, 2009

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
Storm Water Management:				
Transfer from General Fund	\$ 250,000	\$ 250,000	\$ -	\$ 250,000
Interest on investments	64,821	64,821	-	64,821
Reallocation of remaining authorizations	(36,474)	(36,474)	-	(36,474)
Public Safety Center:				
Federal/state grants	435,784	435,784	-	435,784
Issuance of debt	8,502,020	8,502,020	-	8,502,020
Transfer from General Fund	2,254,000	2,254,000	-	2,254,000
Interest on investments	51,894	48,939	2,955	51,894
Reallocation of remaining authorizations	751,882	757,723	(5,841)	751,882
Cultural Arts Center:				
Donations	20,000	20,000	-	20,000
Transfer from General Fund	1,880,000	1,880,000	-	1,880,000
Interest on investments	42,628	38,726	3,902	42,628
Reallocation of remaining authorizations	(139,401)	(135,499)	(3,902)	(139,401)
Tennis/Multi-Use Activity Center:				
Transfer from General Fund	577,500	544,000	33,500	577,500
Interest on investments	169,815	158,265	11,550	169,815
Reallocation of remaining authorizations	(201,066)	(156,016)	(45,050)	(201,066)
Gateway Entrances:				
Transfer from General Fund	62,000	62,000	-	62,000
Interest on investments	25,198	22,941	2,257	25,198
Reallocation of remaining authorizations	(39,659)	(59,709)	20,050	(39,659)



TOWN OF HERNDON, VIRGINIA

Exhibit B-6  
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CAPITAL PROJECTS FUND  
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)  
COMPARED WITH ESTIMATED REVENUES  
Year Ended June 30, 2009

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
Minor Road Construction:				
Transfer from General Fund	\$ 642,000	\$ 642,000	\$ -	\$ 642,000
Interest on investments	52,421	52,421	-	52,421
Reallocation of remaining authorizations	(279,074)	(354,325)	75,251	(279,074)
Trails and Sidewalks:				
Transfer from General Fund	150,000	150,000	-	150,000
Interest on investments	49,393	46,962	2,431	49,393
Reallocation of remaining authorizations	(88,562)	(86,128)	(2,434)	(88,562)
Town Shop Improvements:				
Issuance of debt	135,000	135,000	-	135,000
Transfer from General Fund	85,000	85,000	-	85,000
Interest on investments	54,217	41,407	12,810	54,217
Reallocation of remaining authorizations	(2,843)	(136,526)	133,683	(2,843)
Nash Street Improvements:				
Builders contributions	5,000	5,000	-	5,000
Transfer from General Fund	8,000	8,000	-	8,000
Interest on investments	8,516	8,516	-	8,516
Reallocation of remaining authorizations	(10,076)	(10,076)	-	(10,076)
Bus Stop Shelters:				
Transfer from General Fund	30,000	30,000	-	30,000
Interest on investments	18,632	15,514	3,118	18,632
Reallocation of remaining authorizations	37,913	40,828	(2,915)	37,913

TOWN OF HERNDON, VIRGINIA

Exhibit B-6  
Page 6

CAPITAL PROJECTS FUND  
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)  
COMPARED WITH ESTIMATED REVENUES  
Year Ended June 30, 2009

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
South Elden Street Improvements:				
Federal/state grants	\$ 158,553	\$ -	\$ 158,553	\$ 158,553
Transfer from General Fund	363,726	340,726	23,000	363,726
Proceeds from bond issue	590,274	590,274	-	590,274
Interest on investments	258,881	228,178	30,703	258,881
Reallocation of remaining authorizations	(47,448)	(25,289)	(22,159)	(47,448)
Triangle Street Improvements:				
Builder contributions	275,000	75,000	200,000	275,000
Transfer from General Fund	513,000	513,000	-	513,000
Interest on investments	105,123	99,857	5,266	105,123
Reallocation of remaining authorizations	(406,124)	(201,421)	(204,703)	(406,124)
East Elden Street Interim Improvements:				
Transfer from General Fund	370,000	370,000	-	370,000
Interest on investments	58,252	53,085	5,167	58,252
Reallocation of remaining authorizations	(33,638)	(28,471)	(5,167)	(33,638)
Town Depot Improvements:				
Transfer from General Fund	70,000	70,000	-	70,000
Interest on investments	40,823	31,862	8,961	40,823
Reallocation of remaining authorizations	(20,551)	(11,590)	(8,961)	(20,551)
Herndon Parkway/Van Buren St. Intersection Improvements:				
Transfer from General Fund	25,000	25,000	-	25,000
Interest on investments	11,035	8,214	2,821	11,035
Reallocation of remaining authorizations	(11,035)	(8,214)	(2,821)	(11,035)

TOWN OF HERNDON, VIRGINIA

Exhibit B-6  
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CAPITAL PROJECTS FUND  
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)  
COMPARED WITH ESTIMATED REVENUES  
Year Ended June 30, 2009

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
Jefferson Street Park:				
Transfer from General Fund	\$	\$ 45,000	\$ -	\$ 45,000
Interest on investments	2,202	2,202	-	2,202
Reallocation of remaining authorizations	(1,930)	(202)	(1,728)	(1,930)
Town Hall Rehabilitation:				
Transfer from General Fund	124,000	124,000	-	124,000
Interest on investments	32,144	21,251	10,893	32,144
Reallocation of remaining authorizations	(32,923)	(21,414)	(11,509)	(32,923)
HMC Computer Equipment Room Renovations:				
Interest on investments	4,075	1,558	2,517	4,075
Reallocation of remaining authorizations	210,586	207,209	3,377	210,586
Skate Park Facility:				
Builder contributions	150,000	150,000	-	150,000
Transfer from General Fund	25,000	25,000	-	25,000
Interest on investments	36,794	17,045	19,749	36,794
Reallocation of remaining authorizations	(36,794)	(17,045)	(19,749)	(36,794)
Elden Street/Center Street Intersection Improvements:				
Issuance of debt	50,000	50,000	-	50,000
Interest on investments	13,110	6,589	6,521	13,110
Reallocation of remaining authorizations	(13,110)	(6,589)	(6,521)	(13,110)

TOWN OF HERNDON, VIRGINIA

Exhibit B-6  
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CAPITAL PROJECTS FUND  
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)  
COMPARED WITH ESTIMATED REVENUES  
Year Ended June 30, 2009

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
Pearl/Nash/Oak/Wood Streets Improvements:				
Transfer from General Fund	\$ 135,000	\$ 135,000	\$ -	\$ 135,000
Interest on investments	24,238	15,064	9,174	24,238
Reallocation of remaining authorizations	(25,944)	(15,064)	(10,880)	(25,944)
W & OD Trail Enhancements:				
Interest on investments	35,738	20,948	14,790	35,738
Reallocation of remaining authorizations	114,262	129,052	(14,790)	114,262
Folly Lick/Spring Branch Regional Trail:				
Builder contributions	25,000	25,000	-	25,000
Interest on investments	2,212	2,212	-	2,212
Reallocation of remaining authorizations	(5,129)	(2,212)	(2,917)	(5,129)
Station Streets Improvements:				
Transfer from General Fund	75,000	75,000	-	75,000
Interest on investments	18,157	6,579	11,578	18,157
Reallocation of remaining authorizations	24,656	(7,240)	31,896	24,656
New Sidewalk Construction:				
Transfer from General Fund	33,000	33,000	-	33,000
Interest on investments	15,092	2,920	12,172	15,092
Reallocation of remaining authorizations	64,908	(2,920)	67,828	64,908

TOWN OF HERNDON, VIRGINIA

Exhibit B-6  
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CAPITAL PROJECTS FUND  
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)  
COMPARED WITH ESTIMATED REVENUES  
Year Ended June 30, 2009

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
Van Buren and Elden Streets Intersection Improvements:				
Transfer from General Fund	\$ 22,032	\$ 22,032	\$ -	\$ 22,032
Interest on investments	13,089	5,753	7,336	13,089
Reallocation of remaining authorizations	44,879	50,582	(5,703)	44,879
Major Roads Resurfacing:				
Federal/state grants	430,466	430,466	-	430,466
Transfer from General Fund	500,000	500,000	-	500,000
Reallocation of remaining authorizations	(123,220)	(181,147)	57,927	(123,220)
Metro Rail/ Worldgate Area Planning:				
Transfer from General Fund	50,000	-	50,000	50,000
Interest on investments	5,643	-	5,643	5,643
Reallocation of remaining authorizations	(5,643)	-	(5,643)	(5,643)
Stream Bank Stabilization:				
Transfer from General Fund	30,000	-	30,000	30,000
Interest on investments	1,354	-	1,354	1,354
Reallocation of remaining authorizations	(4,787)	-	(4,787)	(4,787)
Park Avenue and Monroe Street Intersection:				
Interest on investments	12,694	-	12,694	12,694
Reallocation of remaining authorizations	105,426	-	105,426	105,426

TOWN OF HERNDON, VIRGINIA

Exhibit B-6  
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CAPITAL PROJECTS FUND  
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)  
COMPARED WITH ESTIMATED REVENUES  
Year Ended June 30, 2009

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
Park Equipment Replacement :				
Transfer from General Fund	\$ 40,000	\$ -	\$ 40,000	\$ 40,000
Reallocation of remaining authorizations	(12,786)	-	(12,786)	(12,786)
Herndon Parkway Intersections Study:				
Interest on investments	63,197	-	63,197	63,197
Reallocation of remaining authorizations	496,803	-	496,803	496,803
Undesignated Fund Balance:				
Transfer from Information Systems Improvement Fund	226,568	226,568	-	226,568
Miscellaneous	12,384	12,384	-	12,384
Reallocation of remaining authorizations	2,077,440	2,440,776	(363,336)	2,077,440
<b>Totals</b>	<b>\$ 34,193,566</b>	<b>\$ 32,993,714</b>	<b>\$ 1,199,852</b>	<b>\$ 34,193,566</b>

TOWN OF HERNDON, VIRGINIA

Exhibit B-7  
Page 1

CAPITAL PROJECTS FUND  
SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS  
Year Ended June 30, 2009

	Authorization	Expenditures		Total Expenditures	Remaining Authorizations
		Prior Years	Current Year		
Folly Lick Watershed	\$ 416,378	\$ 372,187	\$ 9,817	\$ 382,004	\$ 34,374
Sugarland Run Watershed	296,142	271,227	13,819	285,046	11,096
Horse Pen Run Watershed	35,406	1,000	3,433	4,433	30,973
Spring Branch Watershed	1,000	1,000	-	1,000	-
Storm Drain Easement/Construction	1,907,234	1,524,470	90,575	1,615,045	292,189
Huntmar-Spring/Van Buren Street Improvements	20,381	1,631	-	1,631	18,750
Baker Building	1,692	-	-	-	1,692
Traffic Signals and Automated Control Systems	1,053,997	906,885	78,905	985,790	68,207
Streets - VDOT Contributions	183,751	131,497	8,440	139,937	43,814
Street Light Installations	292,714	168,192	33,490	201,682	91,032
Ball Field Improvements/Recreation Facilities	329,386	218,656	-	218,656	110,730
Herndon Community Center - Phase IV	4,967,640	4,914,773	19,968	4,934,741	32,899
Locust Street Improvements	45,972	111	-	111	45,861
Downtown Street Improvements	1,624,640	1,003,134	7,395	1,010,529	614,111
Storm Water Management	278,347	272,907	-	272,907	5,440
Public Safety Center	11,995,580	11,758,466	210,932	11,969,398	26,182
Cultural Arts Center	1,803,227	1,768,654	-	1,768,654	34,573
Tennis/Multi-Use Activity Center	546,249	546,249	-	546,249	-
Gateway Entrances	47,539	5,232	-	5,232	42,307
Minor Road Construction	415,347	303,916	86,027	389,943	25,404
Trails and Sidewalks	110,831	75,834	13,459	89,293	21,538
Town Shop Improvements	271,374	29,764	145,219	174,983	96,391
Nash Street Improvements	11,440	6,226	-	6,226	5,214
Bus Stop Shelters	86,545	58,711	203	58,914	27,631

TOWN OF HERNDON, VIRGINIA

Exhibit B-7  
Page 2

CAPITAL PROJECTS FUND  
SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS  
Year Ended June 30, 2009

	Authorization	Expenditures		Total Expenditures	Remaining Authorizations
		Prior Years	Current Year		
South Elden Street Improvements	\$ 1,323,986	\$ 882,018	\$ 169,902	\$ 1,051,920	\$ 272,066
Triangle Street Improvements	486,999	439,777	563	440,340	46,659
East Elden Street Interim Improvements	394,614	348,828	-	348,828	45,786
Town Depot Improvements	90,272	7,618	3,250	10,868	79,404
Herndon Parkway/Van Buren Street Intersection Improvements	25,000	-	-	-	25,000
Jefferson Street Park	45,272	41,862	3,410	45,272	-
Town Hall Rehabilitation	123,221	2,017	24,680	26,697	96,524
HMC Computer Equipment Room Renovations	214,661	171,682	20,675	192,357	22,304
Skate Park Facility	175,000	-	-	-	175,000
Elden Street/Center Street Intersection Improvements	50,000	-	-	-	50,000
Pearl/Nash/Oak/Wood Streets Improvements	133,294	-	51,999	51,999	81,295
W & OD Trail Enhancements	150,000	18,944	-	18,944	131,056
Folly Lick/Spring Branch Regional Trail	22,083	-	21,472	21,472	611
Station Street Improvements	117,813	-	15,215	15,215	102,598
New Sidewalk Construction	113,000	-	5,142	5,142	107,858
Van Buren and Elden Streets Intersection Improvements	80,000	13,361	1,633	14,994	65,006
Major Roads Resurfacing	807,246	749,319	57,927	807,246	-
Metro Rail/Worldgate Area Planning	50,000	-	-	-	50,000
Steam Bank Stabilization	26,567	-	14,567	14,567	12,000
Park Avenue and Monroe Street Intersection	118,120	-	5,640	5,640	112,480
Park Equipment Replacement	27,214	-	27,214	27,214	-
Herndon Parkway Intersections Studies	560,000	-	-	-	560,000
Undesignated Fund Balance	2,316,392	-	-	-	2,316,392
<b>Totals</b>	<b>\$ 34,193,566</b>	<b>\$ 27,016,148</b>	<b>\$ 1,144,971</b>	<b>\$ 28,161,119</b>	<b>\$ 6,032,447</b>



**TOWN OF HERNDON, VIRGINIA**

Exhibit B-8

**INFORMATION SYSTEMS IMPROVEMENT FUND  
SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS  
Year Ended June 30, 2009**

	Authorization	Expenditures		Total Expenditures	Remaining Authorizations
		Prior Years	Current Year		
Personal Computers, Printers and File Servers	\$ 1,321,742	\$ 1,137,898	\$ 183,844	\$ 1,321,742	\$ -
Police GIS Mapping/Crime Analysis	33,695	33,695	-	33,695	-
WAN/I-NET and Internet Presence	875,899	820,899	25,664	846,563	29,336
Citizens Relationship Software	256,605	182,151	216	182,367	74,238
Disaster Recovery/Business Continuity Plans	62,000	-	-	-	62,000
Undesignated Fund Balance	85,664	-	-	-	85,664
<b>Totals</b>	<b>\$ 2,635,605</b>	<b>\$ 2,174,643</b>	<b>\$ 209,724</b>	<b>\$ 2,384,367</b>	<b>\$ 251,238</b>

## TOWN OF HERNDON, VIRGINIA

Exhibit B-9

**PROPRIETARY FUND TYPE**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL**  
**WATER AND SEWER FUND**  
**Year Ended June 30, 2009**

	Final Budget	Actual	Variance Over (Under)
Operating revenues:			
Sale of water	\$ 2,699,900	\$ 2,022,508	\$ (677,392)
Sewer service charges	2,806,750	2,291,987	(514,763)
Late payment charges	45,000	48,853	3,853
Sale of commodities	19,200	15,263	(3,937)
Rents and leases	214,300	240,650	26,350
Miscellaneous	24,469	12,999	(11,470)
<b>Total operating revenues</b>	<b>5,809,619</b>	<b>4,632,260</b>	<b>(1,177,359)</b>
Operating expenses:			
Finance	223,253	214,649	(8,604)
Water main maintenance	2,991,033	2,574,165	(416,868)
Sewer service charge	3,437,368	2,940,054	(497,314)
Contractual services	383,850	383,850	-
Nondepartmental:			
Depreciation and amortization	-	679,695	679,695
Miscellaneous	50,430	44,000	(6,430)
<b>Total operating expenses</b>	<b>7,085,934</b>	<b>6,836,413</b>	<b>(249,521)</b>
<b>Operating loss</b>	<b>(1,276,315)</b>	<b>(2,204,153)</b>	<b>(927,838)</b>
Nonoperating revenues:			
Investment earnings	607,200	947,401	340,201
Availability fees	450,000	519,711	69,711
<b>Total nonoperating revenues</b>	<b>1,057,200</b>	<b>1,467,112</b>	<b>409,912</b>
<b>Loss before capital contributions</b>	<b>(219,115)</b>	<b>(737,041)</b>	<b>(517,926)</b>
Capital contributions	-	75,420	75,420
<b>Change in net assets</b>	<b>\$ (219,115)</b>	<b>(661,621)</b>	<b>\$ (442,506)</b>
Total net assets, July 1		23,966,090	
Total net assets, June 30		<u>\$ 23,304,469</u>	

## TOWN OF HERNDON, VIRGINIA

Exhibit B-10

**PROPRIETARY FUND TYPE**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL**  
**GOLF COURSE FUND**  
**Year Ended June 30, 2009**

	Final Budget	Actual	Variance Over (Under)
Operating revenues:			
Rents and leases	\$ 24,300	\$ 27,645	\$ 3,345
Greens fees	963,400	1,054,026	90,626
Golf cart revenue	254,000	268,965	14,965
Golf pro shop sales	80,000	78,513	(1,487)
Driving range fees	65,000	68,018	3,018
Miscellaneous	21,908	24,264	2,356
<b>Total operating revenues</b>	<b>1,408,608</b>	<b>1,521,431</b>	<b>112,823</b>
Operating expenses:			
Golf course operations	700,086	694,211	(5,875)
Golf course club house	529,773	527,706	(2,067)
Nondepartmental:			
Depreciation	-	215,091	215,091
Miscellaneous	49,380	49,026	(354)
<b>Total operating expenses</b>	<b>1,279,239</b>	<b>1,486,034</b>	<b>206,795</b>
<b>Operating income</b>	<b>129,369</b>	<b>35,397</b>	<b>(93,972)</b>
Nonoperating revenues (expenses):			
Investment earnings (loss)	9,000	(2,542)	(11,542)
Interest expense	(43,559)	(44,430)	(871)
<b>Total nonoperating expenses, net</b>	<b>(34,559)</b>	<b>(46,972)</b>	<b>(12,413)</b>
<b>Change in net assets</b>	<b>\$ 94,810</b>	<b>(11,575)</b>	<b>\$ (106,385)</b>
Total net assets, July 1		<u>3,801,875</u>	
Total net assets, June 30		<u>\$ 3,790,300</u>	

## TOWN OF HERNDON, VIRGINIA

Exhibit B-11

**PROPRIETARY FUND TYPE**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL**  
**CHESTNUT GROVE CEMETERY FUND**  
**Year Ended June 30, 2009**

	Final Budget	Actual	Variance Over (Under)
Operating revenues:			
Cemetery sites	\$ 309,350	\$ 293,560	\$ (15,790)
Interment services	137,600	156,515	18,915
Merchandise sales	90,000	85,979	(4,021)
Miscellaneous	5,574	23,609	18,035
<b>Total operating revenues</b>	<b>542,524</b>	<b>559,663</b>	<b>17,139</b>
Operating expenses:			
Cemetery operations	428,064	430,408	2,344
Non-departmental:			
Depreciation and amortization	-	142,717	142,717
Miscellaneous	18,220	17,473	(747)
<b>Total operating expenses</b>	<b>446,284</b>	<b>590,598</b>	<b>144,314</b>
<b>Operating income (loss)</b>	<b>96,240</b>	<b>(30,935)</b>	<b>(127,175)</b>
Nonoperating revenues (expenses):			
Investment earnings	17,600	13,366	(4,234)
Interest expense	(114,442)	(114,092)	350
<b>Total nonoperating expenses, net</b>	<b>(96,842)</b>	<b>(100,726)</b>	<b>(3,884)</b>
<b>Loss before transfers</b>	<b>(602)</b>	<b>(131,661)</b>	<b>(131,059)</b>
Transfers in	63,400	75,608	12,208
Transfers out	(30,935)	(29,356)	1,579
<b>Change in net assets</b>	<b>\$ 31,863</b>	<b>(85,409)</b>	<b>\$ (117,272)</b>
Total net assets, July 1		1,241,002	
Total net assets, June 30		<u>\$ 1,155,593</u>	

## TOWN OF HERNDON, VIRGINIA

Exhibit B-12

**PROPRIETARY FUND TYPE**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL**  
**DOWNTOWN PARKING ENTERPRISE FUND**  
**Year Ended June 30, 2009**

	Final Budget	Actual	Variance Over (Under)
Operating revenues:			
Parking availability fees	\$ -	\$ 26,136	\$ 26,136
Miscellaneous	12,090	12,172	82
<b>Total operating revenues</b>	<b>12,090</b>	<b>38,308</b>	<b>26,218</b>
Operating expenses:			
Downtown parking	61,100	35,311	(25,789)
Depreciation	-	30,533	30,533
<b>Total operating expenses</b>	<b>61,100</b>	<b>65,844</b>	<b>4,744</b>
<b>Operating loss</b>	<b>(49,010)</b>	<b>(27,536)</b>	<b>21,474</b>
Nonoperating revenues:			
Investment earnings	9,659	56,722	47,063
<b>Total nonoperating revenues</b>	<b>9,659</b>	<b>56,722</b>	<b>47,063</b>
<b>Change in net assets</b>	<b>\$ (39,351)</b>	<b>29,186</b>	<b>\$ 68,537</b>
Total net assets, July 1		<u>1,505,277</u>	
Total net assets, June 30		<u>\$ 1,534,463</u>	



**TOWN OF HERNDON, VIRGINIA**

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**STATISTICAL SECTION**





**TOWN OF HERNDON, VIRGINIA**

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## TOWN OF HERNDON, VIRGINIA

### STATISTICAL SECTION CONTENTS

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The statistical section of the town's comprehensive annual financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures and required supplementary information says about the town's overall financial health. This information has not been audited by the independent auditor.

Contents	Tables
<b>Financial Trends</b> These tables contain trend information to help the reader understand how the town's financial performance and well being have changed over time.	1 - 5
<b>Revenue Capacity</b> These tables contain information to help the reader assess the town's most significant local revenue sources, the property tax, as well as other revenue sources.	6 - 10
<b>Debt Capacity</b> These tables present information to help the reader assess the affordability of the town's current level of outstanding debt and the town's ability to issue additional debt in the future.	11 - 14
<b>Demographic and Economic Information</b> These tables offer demographic and economic indicators to help the reader understand the environment within which the town's financial activities take place.	15 - 16
<b>Operating Information</b> These tables contain service and infrastructure data to help the reader understand how the information in the town's financial report relates to the services the town provides and the activities it performs.	17 - 19

**Sources:** Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial report for the relevant year. The town implemented GASB 34 in fiscal year 2003; tables presenting government-wide information include information beginning in that year.



**TOWN OF HERNDON, VIRGINIA**

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TOWN OF HERNDON, VIRGINIA

Table 1

NET ASSETS BY COMPONENT  
LAST SEVEN FISCAL YEARS (1)  
(*accrual basis of accounting*)  
(Unaudited)

	Fiscal Year June 30,						
	2003	2004	2005	2006	2007	2008	2009
<b>Governmental activities:</b>							
Invested in capital assets, net of related debt	\$ 19,789,543	\$ 21,919,935	\$ 27,816,034	\$ 31,719,000	\$ 72,076,117	\$ 72,923,937	\$ 72,604,103
Restricted	-	1,169,431	1,193,044	1,215,485	1,244,028	1,268,979	1,298,335
Unrestricted	18,602,317	19,823,629	12,107,024	12,131,044	11,575,112	11,780,466	11,187,939
<b>Total governmental activities net assets</b>	<b>\$ 38,391,860</b>	<b>\$ 42,912,995</b>	<b>\$ 41,116,102</b>	<b>\$ 45,065,529</b>	<b>\$ 84,895,257</b>	<b>\$ 85,973,382</b>	<b>\$ 85,090,377</b>
<b>Business-type activities:</b>							
Invested in capital assets, net of related debt	\$ 12,891,883	\$ 14,423,535	\$ 15,086,244	\$ 15,722,161	\$ 16,466,974	\$ 16,308,652	\$ 15,947,667
Unrestricted	18,071,402	17,562,414	16,955,114	15,966,544	14,919,283	14,205,592	13,837,158
<b>Total business-type activities net assets</b>	<b>\$ 30,963,285</b>	<b>\$ 31,985,949</b>	<b>\$ 32,041,358</b>	<b>\$ 31,688,705</b>	<b>\$ 31,386,257</b>	<b>\$ 30,514,244</b>	<b>\$ 29,784,825</b>
<b>Primary government:</b>							
Invested in capital assets, net of related debt	\$ 32,681,426	\$ 36,343,470	\$ 42,902,278	\$ 47,441,161	\$ 88,543,091	\$ 89,232,589	\$ 88,551,770
Restricted	-	1,169,431	1,193,044	1,215,485	1,244,028	1,268,979	1,298,335
Unrestricted	36,673,719	37,386,043	29,062,138	28,097,588	26,494,395	25,986,058	25,025,097
<b>Total primary government net assets</b>	<b>\$ 69,355,145</b>	<b>\$ 74,898,944</b>	<b>\$ 73,157,460</b>	<b>\$ 76,754,234</b>	<b>\$ 116,281,514</b>	<b>\$ 116,487,626</b>	<b>\$ 114,875,202</b>

Notes:

(1) This table reports financial information based on the accrual basis of accounting. The Town implemented GASB 34, the new reporting standard, in fiscal year 2003. Therefore, ten years of data is not available but will be accumulated over time.

(2) Beginning in fiscal year 2007, all infrastructure capital assets acquired before 2003 were recorded.

## TOWN OF HERNDON, VIRGINIA

## CHANGES IN NET ASSETS

## LAST SEVEN FISCAL YEARS (1)

(accrual basis of accounting)

(Unaudited)

Table 2  
Page 1

		Fiscal Year, June 30,						
		2003	2004	2005	2006	2007	2008	2009
<b>Expenses:</b>								
Governmental activities:								
Legislative	\$	304,842	\$ 334,582	\$ 588,708	\$ 599,013	\$ 664,636	\$ 685,284	\$ 654,002
Administration		2,660,288	2,742,074	2,666,678	2,991,781	2,911,464	2,945,108	3,226,320
Town attorney		304,244	326,181	352,556	415,156	393,808	461,394	519,437
Parks and recreation		3,234,276	3,382,361	3,467,051	3,665,259	4,350,958	4,462,531	4,658,971
Finance		997,701	1,030,116	1,087,203	1,165,622	1,191,893	1,307,331	1,348,980
Community development		1,141,547	1,112,704	1,341,611	1,539,821	1,735,596	1,652,196	1,950,546
Police		6,102,460	6,576,514	6,868,424	7,887,728	8,460,046	8,759,234	9,257,315
Public works		6,347,374	6,022,510	7,988,506	7,606,343	10,363,763	11,278,365	11,229,645
Grants		17,301	95,391	79,212	-	-	-	-
Interest		564,173	698,104	826,972	904,816	940,449	875,509	813,800
<b>Total governmental activities</b>		<b>21,674,206</b>	<b>22,320,537</b>	<b>25,266,921</b>	<b>26,775,539</b>	<b>31,012,613</b>	<b>32,426,952</b>	<b>33,659,016</b>
Business-type activities:								
Water and sewer		5,446,337	5,340,723	5,873,518	6,135,079	6,756,592	6,692,754	6,836,413
Golf course		1,212,946	1,352,730	1,332,748	1,464,539	1,398,081	1,564,081	1,530,464
Chestnut Grove cemetery		314,938	343,509	382,021	448,989	442,171	652,781	704,690
Downtown parking		35,867	38,571	40,750	129,847	79,465	278,725	65,844
<b>Total business-type activities</b>		<b>7,010,088</b>	<b>7,075,533</b>	<b>7,629,037</b>	<b>8,178,454</b>	<b>8,676,309</b>	<b>9,188,341</b>	<b>9,137,411</b>
<b>Total government expenses</b>		<b>28,684,294</b>	<b>29,396,070</b>	<b>32,895,958</b>	<b>34,953,993</b>	<b>39,688,922</b>	<b>41,615,293</b>	<b>42,796,427</b>
Program revenue:								
Governmental activities:								
Charges for services:								
Administration		21,989	30,518	40,281	33,874	36,634	46,447	20,650
Parks and recreation		1,944,943	1,938,317	1,991,640	2,019,553	2,198,645	2,394,257	2,551,346
Finance		293,440	293,700	302,510	366,100	382,570	401,700	421,790
Police		502,942	742,418	461,538	475,407	555,217	509,890	579,682
Public works		538,366	475,311	568,194	470,699	546,176	398,234	466,595
Operating grants and contributions:								
Legislative		21,640	3,227	1,906	-	-	-	-
Administration		133,408	136,774	144,634	197,563	174,757	177,155	195,616
Community development		750	2,500	-	-	638	451	-
Police		672,372	815,365	851,697	1,084,006	1,089,540	916,457	1,045,779
Public works		603,569	494,368	1,193,149	1,068,463	940,045	1,896,712	739,287
Capital grants and contributions:								
Parks and recreation		36,500	-	-	-	-	-	-
Public works		582,819	3,366,370	1,645,937	3,381,970	11,715,486	1,013,922	1,164,938
<b>Total governmental activities program revenue</b>		<b>5,352,738</b>	<b>8,298,868</b>	<b>7,201,486</b>	<b>9,097,635</b>	<b>17,639,708</b>	<b>7,755,225</b>	<b>7,185,683</b>

TOWN OF HERNDON, VIRGINIA

CHANGES IN NET ASSETS  
LAST SEVEN FISCAL YEARS (1)  
(*accrual basis of accounting*)  
(Unaudited)

Table 2  
Page 2

	Fiscal Year June 30,							
	2003	2004	2005	2006	2007	2008	2009	
Program revenues (Continued):								
Business-type activities:								
Charges for services:								
Water and sewer	\$ 4,067,454	\$ 3,983,922	\$ 3,956,967	\$ 4,301,639	\$ 4,418,419	\$ 4,509,547	\$ 4,378,611	
Golf course	1,227,548	1,381,100	1,289,877	1,236,010	1,395,824	1,501,835	1,469,522	
Chestnut Grove cemetery	225,950	245,340	326,241	418,563	507,959	406,729	536,054	
Operating grants and contributions:								
Water and sewer	719,784	1,533,682	845,013	719,489	449,735	523,025	519,711	
Downtown parking	496,942	-	-	-	-	-	-	
Capital grants and contributions:								
Water and sewer	225,557	465,844	380,857	553,422	308,341	41,500	75,420	
Downtown parking	-	113,889	-	-	-	-	-	
Total business-type activities program revenues	6,963,235	7,723,777	6,798,955	7,229,123	7,080,278	6,982,636	6,979,318	
Total government program revenues	12,315,973	16,022,645	14,000,441	16,326,758	24,719,986	14,737,861	14,165,001	
Net (expense) revenue:								
Governmental activities	(16,321,468)	(14,021,669)	(18,065,435)	(17,677,904)	(13,372,905)	(24,671,727)	(26,473,333)	
Business-type activities	(46,853)	648,244	(830,082)	(949,331)	(1,596,031)	(2,205,705)	(2,158,093)	
Total government net expense	(16,368,321)	(13,373,425)	(18,895,517)	(18,627,235)	(14,968,936)	(26,877,432)	(28,631,426)	
General revenues and other changes in net assets:								
Governmental activities:								
Taxes:								
General property	7,253,312	7,445,745	7,749,706	8,666,348	10,457,592	11,395,778	11,305,328	
Business license	2,604,530	2,652,045	3,045,781	2,707,012	3,179,323	3,260,125	3,458,908	
Transient occupancy	1,616,609	1,846,065	2,127,742	2,414,308	2,465,479	2,678,892	2,493,698	
Local sales	1,463,396	1,580,307	1,647,228	1,580,278	1,639,448	1,661,725	1,511,792	
Other local taxes	2,500,249	3,686,015	4,424,916	5,101,866	5,049,744	5,112,808	4,888,870	
Revenues not restricted to specific programs	37,532	38,652	77,343	70,136	77,624	84,118	89,937	
Intergovernmental, non-categorical aid	109,578	162,315	117,177	120,770	135,559	63,070	42,626	
Use of money and property	1,162,054	226,418	682,330	866,575	1,402,972	1,332,543	1,406,066	
Miscellaneous	74,859	98,297	72,595	84,178	11,828	190,623	439,355	
Gain on sale of capital assets	-	840,518	1,530	1,900	19,573	52,309	-	
Transfers	(548,544)	(33,573)	(26,526)	13,960	(63,158)	(82,139)	(46,252)	
Total governmental activities	16,273,575	18,542,804	19,919,822	21,627,331	24,375,984	25,749,852	25,590,328	

TOWN OF HERNDON, VIRGINIA

Table 2  
Page 3

CHANGES IN NET ASSETS  
LAST SEVEN FISCAL YEARS (1)  
(accrual basis of accounting)  
(Unaudited)

	Fiscal Year June 30,				
	2003	2004	2005	2006	2007
General revenues and other changes in net assets: (Continued)					
Business-type activities:					
Use of money and property	\$ 1,287,919	\$ 50,658	\$ 549,990	\$ 286,132	\$ 966,969
Miscellaneous	256,217	290,189	308,975	324,506	263,456
Transfers	548,544	33,573	26,526	(13,960)	63,158
Total business-type activities	2,092,680	374,420	885,491	596,678	1,293,583
Total primary government	18,366,255	18,917,224	20,805,313	22,224,009	25,669,567
Changes in net assets:					
Governmental activities	(47,893)	4,521,135	1,854,387	3,949,427	11,003,079
Business-type activities	2,045,827	1,022,664	55,409	(352,653)	(302,448)
Total primary government	\$ 1,997,934	\$ 5,543,799	\$ 1,909,796	\$ 3,596,774	\$ 10,700,631
					\$ 206,112
					\$ (1,612,424)
					\$ 1,014,947
					367,475
					46,252
					1,428,674
					27,019,002

Notes:

- (1) This table reports financial information based on the accrual basis of accounting. The Town implemented GASB 34, the new reporting standard, in fiscal year 2003. Therefore, ten years of data is not available but will be accumulated over time.
- (2) Net (expense) revenue is the difference between the expenses and program revenues. This difference indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues. Numbers in a parentheses are net expenses indicating that expenses were greater than program revenues, and the revenues were needed to finance that function or program. Numbers without parentheses are net revenues, demonstrating that program revenues were more than sufficient to cover expenses.

TOWN OF HERNDON, VIRGINIA

Table 3

PROGRAM REVENUES BY FUNCTION/PROGRAM

LAST SEVEN FISCAL YEARS (1)

(accrual basis of accounting)

(Unaudited)

Function / Program	Fiscal Year June 30,						
	2003	2004	2005	2006	2007	2008	2009
Governmental activities:							
Legislative	\$ 21,640	\$ 3,227	\$ 1,906	\$ -	\$ -	\$ -	\$ -
Administration	155,397	167,292	184,915	231,437	211,391	223,602	216,266
Parks and recreation	1,981,443	1,938,317	1,991,640	2,019,553	2,198,645	2,394,257	2,551,346
Finance	293,440	293,700	302,510	366,100	382,570	401,700	421,790
Community development	750	2,500	-	-	638	451	-
Police	1,175,314	1,557,783	1,313,235	1,559,413	1,644,757	1,426,347	1,625,461
Public works	1,724,754	4,336,049	3,407,280	4,921,132	13,201,707	3,308,868	2,370,820
<b>Total governmental activities</b>	<b>5,352,738</b>	<b>8,298,868</b>	<b>7,201,486</b>	<b>9,097,635</b>	<b>17,639,708</b>	<b>7,755,225</b>	<b>7,185,683</b>
Business-type activities:							
Water and sewer	5,012,795	5,983,448	5,182,837	5,574,550	5,176,495	5,074,072	4,973,742
Golf course	1,227,548	1,381,100	1,289,877	1,236,010	1,395,824	1,501,835	1,469,522
Chestnut Grove cemetery	225,950	245,340	326,241	418,563	507,959	406,729	536,054
Downtown parking	496,942	113,889	-	-	-	-	-
<b>Total business-type activities</b>	<b>6,963,235</b>	<b>7,723,777</b>	<b>6,798,955</b>	<b>7,229,123</b>	<b>7,080,278</b>	<b>6,982,636</b>	<b>6,979,318</b>
<b>Total government</b>	<b>\$ 12,315,973</b>	<b>\$ 16,022,645</b>	<b>\$ 14,000,441</b>	<b>\$ 16,326,758</b>	<b>\$ 24,719,986</b>	<b>\$ 14,737,861</b>	<b>\$ 14,165,001</b>

Notes:

- (1) This table reports financial information based on the accrual basis of accounting. The Town implemented GASB 34, the new reporting standard, in fiscal year 2003. Therefore, ten years of data is not available but will be accumulated over time.
- (2) In 2004, 2005, 2006, 2007, 2008 and 2009, the public works department received donated assets of \$2,877,947, \$895,362, \$2,854,521, \$10,904,769, \$215,931 and \$169,792, respectively.



**TOWN OF HERNDON, VIRGINIA**

**FUND BALANCE, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)  
(unaudited)**

**Table 4**

	Fiscal Year June 30,			
	2000	2001	2002	2003
General Fund:				
Reserved	\$ 1,400,199	\$ 1,409,838	\$ 1,807,801	\$ 1,365,946
Unreserved	7,482,786	8,280,749	8,586,426	6,840,530
<b>Total General Fund</b>	<b>\$ 8,882,985</b>	<b>\$ 9,690,587</b>	<b>\$ 10,394,227</b>	<b>\$ 8,206,476</b>
All Other Governmental Funds:				
Reserved	\$ 1,061,604	\$ 1,096,054	\$ 1,127,560	\$ 1,152,711
Unreserved, reported in:				
Capital projects funds	5,279,720	10,469,888	9,373,340	7,290,122
<b>Total all other governmental funds</b>	<b>\$ 6,341,324</b>	<b>\$ 11,565,942</b>	<b>\$ 10,500,900</b>	<b>\$ 8,442,833</b>
				<b>\$ 10,508,647</b>
	Fiscal Year June 30,			
	2005	2006	2007	2008
General Fund:				
Reserved	\$ 1,302,446	\$ 810,834	\$ 777,549	\$ 668,306
Unreserved	6,311,877	6,575,754	7,019,739	7,142,499
<b>Total General Fund</b>	<b>\$ 7,614,323</b>	<b>\$ 7,386,588</b>	<b>\$ 7,797,288</b>	<b>\$ 7,810,805</b>
				<b>\$ 7,816,955</b>
All Other Governmental Funds:				
Reserved	\$ 1,193,044	\$ 1,215,485	\$ 1,244,028	\$ 1,268,979
Unreserved, reported in:				
Capital projects funds	6,102,071	6,776,899	5,560,103	6,132,528
<b>Total all other governmental funds</b>	<b>\$ 7,295,115</b>	<b>\$ 7,992,384</b>	<b>\$ 6,804,131</b>	<b>\$ 7,401,507</b>
				<b>\$ 7,582,020</b>

Note:

(1) In fiscal year 2003, the Chestnut Grove Cemetery Perpetual Care Fund was reclassified from a fiduciary fund type to a special revenue fund type. This reclassification was due to the adoption of GASB 34.

## TOWN OF HERNDON, VIRGINIA

Table 5

**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
*(modified accrual basis of accounting)*  
**(Unaudited)**

	Fiscal Year June 30,									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Revenues:</b>										
General property taxes	\$ 5,612,788	\$ 6,206,774	\$ 7,167,596	\$ 7,387,014	\$ 7,125,043	\$ 7,775,593	\$ 8,702,956	\$ 10,441,826	\$ 11,415,226	\$ 11,315,372
Other local taxes	8,348,359	10,117,280	8,779,401	8,189,445	9,771,887	11,257,001	11,803,464	12,333,994	12,713,550	12,353,268
Permits, privilege fees and regulatory licenses	1,197,875	542,035	378,286	474,108	386,609	479,470	389,028	442,886	285,090	361,280
Fines and forfeitures	342,926	359,075	373,668	488,167	492,125	449,833	471,902	571,830	571,998	593,631
Use of money and property	711,980	1,553,847	1,031,102	1,162,054	226,418	682,330	866,575	1,402,972	1,332,543	1,406,066
Charges for services	1,984,250	2,148,392	2,262,092	2,360,862	2,382,639	2,493,173	2,563,109	2,769,747	2,999,216	3,158,288
Miscellaneous	392,390	127,737	159,303	74,859	95,030	75,862	84,178	11,828	190,623	318,482
Intergovernmental	2,090,657	2,346,017	2,003,265	2,160,636	2,102,972	3,300,434	2,998,623	3,151,292	3,751,795	3,017,100
<b>Total revenues</b>	<b>20,681,225</b>	<b>23,401,157</b>	<b>22,154,713</b>	<b>22,297,145</b>	<b>22,582,723</b>	<b>26,513,686</b>	<b>27,878,835</b>	<b>31,126,175</b>	<b>33,290,041</b>	<b>32,523,487</b>
<b>Expenditures:</b>										
Legislative	252,679	266,580	271,060	299,493	329,467	581,659	605,038	659,583	660,310	651,245
Administration	1,537,485	1,728,440	1,914,165	2,108,961	2,230,922	2,181,253	2,373,380	2,463,940	2,621,611	2,443,752
Town attorney	263,987	268,611	294,603	301,253	321,597	350,048	415,617	390,529	455,322	522,946
Parks and recreation	2,410,030	2,709,061	2,862,638	2,923,457	3,075,665	3,141,800	3,353,890	3,628,248	3,922,569	3,896,866
Finance	712,516	765,928	817,737	954,516	962,466	1,022,423	1,137,903	1,177,062	1,263,648	1,291,102
Community development	726,421	852,636	930,679	1,059,962	1,083,711	1,269,554	1,479,769	1,679,530	1,647,157	1,853,933
Police	4,595,242	5,185,408	5,426,451	6,006,019	6,255,393	6,588,415	7,209,795	7,787,327	8,426,430	8,662,952
Public works	5,433,188	5,893,486	6,020,388	6,396,481	6,358,797	7,139,428	7,452,737	8,132,036	8,281,419	9,049,695
Grants	1,506	14,522	9,119	17,301	95,391	79,212	241,986	213,168	70,741	169,494
Capital outlay	1,496,745	1,347,714	2,008,798	4,098,657	8,519,502	5,493,994	6,078,124	3,630,995	2,452,376	1,354,695
Debt service:										
Principal	1,096,193	1,130,417	1,219,030	1,454,515	1,146,425	1,481,312	1,676,313	1,649,242	1,936,694	1,714,623
Interest and fiscal charges	677,658	698,325	766,662	567,388	686,283	853,937	902,549	969,521	881,041	800,142
<b>Total expenditures</b>	<b>19,203,650</b>	<b>20,859,128</b>	<b>22,541,330</b>	<b>26,188,003</b>	<b>31,045,619</b>	<b>30,183,035</b>	<b>32,927,101</b>	<b>32,381,181</b>	<b>32,619,318</b>	<b>32,411,445</b>
<b>Excess of revenues over (under) expenditures</b>	<b>1,477,575</b>	<b>2,542,029</b>	<b>(386,617)</b>	<b>(3,890,858)</b>	<b>(8,462,896)</b>	<b>(3,669,349)</b>	<b>(5,048,266)</b>	<b>(1,255,006)</b>	<b>640,723</b>	<b>112,042</b>
<b>Other financing sources (uses):</b>										
Transfers in	1,740,988	3,224,149	2,614,506	4,930,651	2,107,506	3,598,613	1,216,293	1,508,043	1,424,483	551,856
Transfers out	(1,756,386)	(3,242,462)	(2,633,290)	(5,479,195)	(2,141,079)	(3,626,139)	(1,202,333)	(1,571,201)	(1,506,622)	(598,108)
Issuance of debt	424,000	2,852,991	-	-	8,500,000	-	5,490,000	500,000	-	-
Proceeds of refunding bonds	-	-	5,897,824	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	(5,853,825)	-	-	-	(4,368)	21,038	-	-
Premium (discount) on issuance debt	-	-	-	-	(70,800)	-	-	-	-	-
Proceeds from sale of property	-	-	-	-	2,021,743	1,530	18,208	19,573	52,309	120,873
<b>Total other financing sources (uses), net</b>	<b>92,825</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,021,743</b>	<b>1,530</b>	<b>18,208</b>	<b>19,573</b>	<b>52,309</b>	<b>120,873</b>
<b>Net changes in fund balances</b>	<b>501,427</b>	<b>2,834,678</b>	<b>25,215</b>	<b>(548,544)</b>	<b>10,417,370</b>	<b>(24,996)</b>	<b>5,517,800</b>	<b>477,453</b>	<b>(29,830)</b>	<b>74,621</b>
<b>Net changes in fund balances</b>	<b>\$ 1,979,002</b>	<b>\$ 5,376,707</b>	<b>\$ (361,402)</b>	<b>\$ (4,439,402)</b>	<b>\$ 1,954,474</b>	<b>\$ (3,694,345)</b>	<b>\$ 469,534</b>	<b>\$ (777,553)</b>	<b>\$ 610,893</b>	<b>\$ 186,563</b>

Debt service as a percentage of noncapital expenditures:																			
Total debt service																			
\$	1,773,851	\$	1,828,742	\$	1,985,692	\$	2,021,903	\$	1,812,708	\$	2,335,249	\$	2,578,862	\$	2,618,763	\$	2,817,735	\$	2,514,765
Total expenditures																			
\$	19,203,650	\$	20,859,128	\$	22,541,330	\$	26,188,003	\$	31,045,619	\$	30,183,035	\$	32,927,101	\$	32,381,181	\$	32,619,318	\$	32,411,445
Less: capital outlay																			
	(1,752,982)		(1,450,504)		(1,596,633)		(4,712,916)		(9,233,499)		(5,241,256)		(6,484,548)		(2,908,600)		(1,721,592)		(1,236,989)
Noncapital expenditures																			
\$	17,450,668	\$	19,408,624	\$	20,944,697	\$	21,475,087	\$	21,812,120	\$	24,941,779	\$	26,442,553	\$	29,471,581	\$	30,897,726	\$	31,174,456
Debt service as a percentage of noncapital expenditures																			
	10.16%		9.42%		9.48%		9.42%		8.31%		9.36%		9.75%		8.89%		9.12%		8.07%

Notes:

- (1) For the years 2000 through 2002, the amount used for capital outlay was obtained from the increase to the General Fixed Asset Account Group, which is no longer used under the new reporting model. For fiscal years 2003 through 2009, the amounts used for capital outlay were obtained from the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.
- (2) Prior to the adoption of GASB Statement No. 34, the Town did not capitalize additions to or major repairs of infrastructure assets. Therefore, for the fiscal years 2000-2002 additions to infrastructure were not subtracted from total expenditures to calculate the debt service as a percentage of noncapital expenditures.

TOWN OF HERNDON, VIRGINIA

Table 6

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)  
(Unaudited)

Fiscal Year June 30,	General Property Including Interest and Penalty (1)	Business License	Transient Occupancy (2)	Local Sales	Meals (3)	Cigarette (4)	Motor Vehicle	Consumer Utility and Consumption (5)	Mobile Tele- Communications (6)	5% Communications Sales and Use (7)	Other (8)	Total
2000	\$ 5,612,788	\$ 2,924,582	\$ 1,790,830	\$ 1,509,088	\$ -	\$ 234,358	\$ 304,839	\$ 1,165,976	\$ -	\$ -	\$ 418,686	\$ 13,961,147
2001	6,206,774	3,818,120	2,150,924	1,571,579	-	220,204	320,073	1,198,714	-	-	837,666	16,324,054
2002	7,167,596	3,127,129	1,615,357	1,477,586	-	208,430	327,662	1,282,735	-	-	740,502	15,946,997
2003	7,387,014	2,604,530	1,616,609	1,463,396	-	190,656	310,585	1,437,118	-	-	566,551	15,576,459
2004	7,125,043	2,659,595	1,846,065	1,580,307	900,279	292,796	319,290	1,583,480	-	-	583,307	16,890,162
2005	7,775,583	3,055,880	2,127,742	1,647,228	1,010,412	276,565	317,489	1,711,601	337,634	-	772,450	19,032,584
2006	8,702,956	2,707,012	2,414,308	1,580,278	1,077,313	373,152	318,846	1,787,691	650,991	-	893,873	20,506,420
2007	10,441,826	3,179,323	2,465,479	1,639,448	1,169,591	352,223	288,512	1,327,411	316,404	847,892	747,711	22,775,820
2008	11,415,226	3,260,125	2,678,892	1,661,725	1,167,976	322,660	271,605	877,394	-	1,928,078	545,095	24,128,776
2009	11,315,372	3,458,908	2,493,698	1,511,792	1,103,744	307,047	285,356	878,034	-	1,796,554	518,135	23,668,640
Change 2000-2009	101.60%	18.27%	39.25%	0.18%	100.00%	31.02%	-6.39%	-24.70%	0.00%	100.00%	23.75%	69.53%

Source: Town records.

Notes:

- (1) Town's real property assessments have increased 148 percent from 2000 to 2009. However, the Town's real estate tax rate decreased over the past ten years from \$0.32 per \$100 of assessed value (AV) to \$0.24 per \$100 AV.
- (2) Over the past ten years, three new hotels were opened within the Town's corporate limits.
- (3) Town adopted a meals tax, at a rate of 1.5 percent, which became effective July 1, 2004.
- (4) Cigarette tax rate was increased from \$0.20 per pack to \$0.35 per pack effective for fiscal years 2004 and 2005. Effective fiscal year 2006, the rate was increased again to \$0.50 per pack.
- (5) Increase in consumer utility tax collections corresponds with increase in residential housing units and commercial office space built during the past ten years.  
The consumer utility tax on telecommunication services was eliminated effective January 1, 2007 and replaced by the State percent communications sales and use tax. (see Note 7)
- (6) Town adopted a mobile telecommunications (cell phone) tax which became effective December 1, 2004. The mobile telecommunications (cell phone) tax was eliminated effective January 1, 2007 and replaced by the State 5 percent communications sales and use tax. (see Note 7)
- (7) A new State 5 percent communications sales and use tax became effective January 1, 2007. This new tax replaces three locally assessed Town taxes which are the consumer utility tax on telecommunication services, the mobile telecommunications (cell phone) tax and the 5 percent portion of the Town's cable TV franchise fee.
- (8) Includes right of way use fees, bank stock taxes and cable franchise fees.

**TOWN OF HERNDON, VIRGINIA**

**Table 7**

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS  
(Unaudited)**

Fiscal Year June 30,	Residential Property	Commercial Property	Public Service Corporation	Non-taxable	Total Assessed Value	Total Taxable Assessed Value	Percent Growth	Total Direct Tax Rate	Actual Taxable Value	Value as a Percentage of Assessed Value
2000	\$ 775,918,500	\$ 854,079,313	\$ 106,394,308	\$ 77,834,755	\$ 1,814,226,876	\$ 1,736,392,121	7.19%	\$ 0.32	\$ 1,736,392,121	100.00%
2001	820,819,935	988,018,190	118,372,380	81,920,195	2,009,130,700	1,927,210,505	10.99%	0.32	1,927,210,505	100.00%
2002	944,848,440	1,145,643,435	162,376,543	83,084,390	2,335,952,808	2,252,868,418	16.90%	0.32	2,252,868,418	100.00%
2003	1,127,008,710	1,171,150,920	153,766,905	89,287,195	2,541,213,730	2,451,926,535	8.84%	0.30	2,451,926,535	100.00%
2004	1,285,769,310	1,089,621,980	158,205,107	94,944,650	2,628,541,047	2,533,596,397	3.33%	0.28	2,533,596,397	100.00%
2005	1,458,102,379	1,167,782,655	141,520,282	100,362,250	2,867,767,566	2,767,405,316	9.23%	0.28	2,767,405,316	100.00%
2006	1,924,855,719	1,417,144,440	138,361,962	115,928,125	3,596,290,246	3,480,362,121	25.76%	0.25	3,480,362,121	100.00%
2007	2,417,778,953	1,801,437,496	187,449,426	148,854,355	4,555,520,230	4,406,665,875	26.62%	0.24	4,406,665,875	100.00%
2008	2,478,870,750	2,118,458,610	152,834,703	148,854,355	4,899,018,418	4,750,164,063	7.79%	0.24	4,750,164,063	100.00%
2009	2,371,389,326	2,212,843,650	145,578,271	222,736,840	4,952,548,087	4,729,811,247	(0.43)%	0.26	4,729,811,247	100.00%

<sup>1</sup> Sources:  
16

Town of Herndon Department of Finance

County of Fairfax Department of Tax Administration (Real Estate Division)

Note:

Increases in assessments over the past ten years correspond to rapid increases in residential and commercial values, coupled with extensive residential and commercial building construction, beginning in 1999.

**TOWN OF HERNDON, VIRGINIA**

**Table 8**

**DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN FISCAL YEARS  
(Unaudited)**

Fiscal Year June 30,	Tax Rates - Town		Tax Rates - County		Tax Rates - Combined	
	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property
2000	\$ 0.32	\$ -	\$ 1.23	\$ 4.57	\$ 1.55	\$ 4.57
2001	0.32	-	1.23	4.57	1.55	4.57
2002	0.32	-	1.23	4.57	1.55	4.57
2003	0.30	-	1.21	4.57	1.51	4.57
2004	0.28	-	1.16	4.57	1.44	4.57
2005	0.28	-	1.13	4.57	1.41	4.57
2006	0.25	-	1.00	4.57	1.25	4.57
2007	0.24	-	0.89	4.57	1.13	4.57
2008	0.24	-	0.89	4.57	1.13	4.57
2009	0.26	-	0.92	4.57	1.18	4.57

**Notes:**

(1) These rates are per \$100 of assessed value for real estate and personal property.

(2) A Town assessed levy on personal property ceased in fiscal year 1989.

**TOWN OF HERNDON, VIRGINIA**

**Table 9**

**PRINCIPAL PROPERTY TAXPAYERS  
CURRENT YEAR AND NINE YEARS AGO  
(Unaudited)**

Taxpayer	2009				2000		
	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value		Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
BP New Dominion Technology	\$ 110,621,910	1	2.51 %	\$	-	-	-
EQR-Worldgate LLC	104,635,620	2	2.37		-	-	-
Inland American Herndon Worldgate	90,674,730	3	2.06		-	-	-
New Dominion	86,051,450	4	1.95		-	-	-
Worldgate Center Owner LLC	70,020,550	5	1.59		-	-	-
RREEF America Reit II	64,403,950	6	1.46		-	-	-
MIVPO LLC	61,888,550	7	1.40		-	-	-
Washington Real Estate Investment	57,635,750	8	1.31		-	-	-
Monumnet III Owner LLC	50,587,620	9	1.15		-	-	-
EQR-Herndon LLC	49,848,660	10	1.13		-	-	-
Fannie Mae	-	-	-		52,808,060	1	3.24 %
Charles E. Smith	-	-	-		41,400,725	2	2.54
Trzechahn Spring Park	-	-	-		36,126,875	3	2.22
WGP Associates LLC	-	-	-		36,063,190	4	2.21
Marriott International	-	-	-		34,070,490	5	2.09
BF Real Estate US ILP	-	-	-		32,358,290	6	1.99
Worldgate Properties LLC	-	-	-		31,760,615	7	1.95
Monument One LLC	-	-	-		30,239,655	8	1.86
First Herndon Associates	-	-	-		28,616,365	9	1.76
Brit LP	-	-	-		23,547,260	10	1.44
<b>Total</b>	<b>\$ 746,368,790</b>		<b>16.94 %</b>	<b>\$</b>	<b>346,991,525</b>		<b>21.30 %</b>

Sources:

Town of Herndon Department of Finance.

County of Fairfax Department of Tax Administration (Real Estate Division).

TOWN OF HERNDON, VIRGINIA

Table 10

**REAL PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(Unaudited)**

Fiscal Year June 30,	Taxes Levied for the Fiscal Year (1)	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2000	\$ 5,556,455	\$ 5,443,439	97.97%	\$ 113,016	\$ 5,556,455	100.00%
2001	6,168,226	6,055,420	98.17%	112,806	6,168,226	100.00%
2002	7,209,179	7,016,861	97.33%	192,318	7,209,179	100.00%
2003	7,355,780	7,281,586	98.99%	74,194	7,355,780	100.00%
2004	7,094,070	7,035,248	99.17%	58,822	7,094,070	100.00%
2005	7,748,735	7,707,990	99.47%	40,713	7,748,703	100.00%
2006	8,700,905	8,650,854	99.42%	48,448	8,699,302	99.98%
2007	10,466,159	10,398,449	99.35%	63,590	10,462,039	99.96%
2008	11,033,590	10,982,504	99.54%	41,505	11,024,009	99.91%
2009	11,002,159	10,961,629	99.63%	NA	10,961,629	99.63%

Source:

Town of Herndon Finance Department.

Note:

- (1) Abatements and supplements which relate to prior years are recorded as revenue collections (or refunds) in year of receipt. Records do not exist which separate current fiscal year levy collections from prior tax year abatements and supplements.



TOWN OF HERNDON, VIRGINIA

Table 11

RATIOS OF OUTSTANDING DEBT BY TYPE AND GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS

(Unaudited)

(Unaudited)

Fiscal Year June 30,	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of		General Bonded Debt Outstanding		Percentage of		General Bonded Debt Outstanding
	General Obligation Bonds	Capital Leases and Notes	Revenue Bonds	Capital Leases		Per Capita Personal Income	Debt Per Capita	General Obligation Bonds	Actual Taxable Value of Property			
2000	\$ 12,543,000	\$ 764,457	\$ 647,000	\$ -	\$ 13,954,457	1.36%	\$ 644	\$ 12,543,000	0.72%	\$ 579		
2001	14,526,850	550,190	2,493,151	-	17,570,191	1.61%	807	14,526,850	0.75%	667		
2002	13,642,617	365,393	2,207,384	-	16,215,394	1.42%	740	13,642,617	0.61%	622		
2003	12,514,596	38,899	1,915,404	-	14,468,899	1.22%	642	12,514,596	0.51%	555		
2004	19,907,070	-	1,842,929	-	21,749,999	1.78%	964	19,907,070	0.79%	882		
2005	18,425,758	-	1,764,242	-	20,190,000	1.52%	887	18,425,758	0.67%	809		
2006	21,714,445	525,000	1,685,555	-	23,925,000	1.68%	1,051	21,714,445	0.62%	941		
2007	20,565,203	525,000	3,364,797	-	24,455,000	1.66%	1,053	20,565,203	0.47%	886		
2008	18,793,509	360,000	3,221,491	-	22,375,000	1.41%	958	18,793,509	0.40%	804		
2009	17,243,886	195,000	3,076,114	-	20,515,000	1.23%	874	17,243,886	0.36%	735		

Notes:

(1) Details regarding the Town's outstanding debt may be found in the notes to the basic financial statements.

(2) Population and personal income data can be found in table 15.

(3) See table 7 for property value data.

**TOWN OF HERNDON, VIRGINIA**

**Table 12**

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
YEAR ENDED JUNE 30, 2009  
(Unaudited)**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Fairfax County, Virginia	\$ 1,895,765,000	1.9960%	\$ 37,839,658
Town Direct Debt			17,438,886
<b>Total direct and overlapping debt</b>			<b>\$ 55,278,544</b>

Sources:

- (1) Town of Herndon Department of Finance and County of Fairfax Finance Department.
- (2) Town of Herndon percentage of overlapping debt based on Real Estate assessed values of each respective entity.

**TOWN OF HERNDON, VIRGINIA**

**LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS  
(Unaudited)**

**Table 13**

		Fiscal Year June 30,									
		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt limit		\$ 162,999,781	\$ 180,883,813	\$ 209,049,188	\$ 229,815,963	\$ 237,539,129	\$ 262,588,503	\$ 334,200,016	\$ 421,921,645	\$ 459,732,936	\$ 458,423,298
Total net debt applicable to limit		12,543,000	14,526,850	13,642,618	12,514,596	19,907,070	18,425,758	22,239,445	21,090,203	19,153,509	17,438,886
Available legal debt margin		\$ 150,456,781	\$ 166,356,963	\$ 195,406,570	\$ 217,301,367	\$ 217,632,059	\$ 244,162,745	\$ 311,960,571	\$ 400,831,442	\$ 440,579,427	\$ 440,984,412
Total net debt applicable to the limit as a percentage of debt limit	7.70%		8.03%	6.53%	5.45%	8.38%	7.02%	6.65%	5.00%	4.17%	3.80%
Legal Debt Margin Calculation for Fiscal Year 2009											
Summary of Outstanding Debt:											
Assessed value of real estate			\$ 4,584,232,976								
Debt limit (10% of assessed value)			\$ 458,423,298								
Debt applicable to limit:											
Net direct debt outstanding			17,438,886								
Available legal debt margin			\$ 440,984,412								

Notes:

(1) Net direct debt excludes debt service on general obligation bond issues in the Golf Course and the Chestnut Grove Cemetery Funds.

(2) Under the Constitution of Virginia, the Town may not issue bonds in excess of 10% of assessed valuation. Self-supporting debt is not included in this calculation.

## TOWN OF HERNDON, VIRGINIA

Table 14

**BOND COVERAGE**  
**LAST TEN FISCAL YEARS**  
**(Unaudited)**

Golf Course Fund								
Fiscal Year June 30,	Service Charges	Operating Expenses	Net Available Revenue	Debt Service			Coverage	
				Principal	Interest	Total		
2000	\$ 1,525,270	\$ 835,813	\$ 689,457	\$ 208,280	\$ 30,665	\$ 238,945	2.89	
2001	1,536,740	874,632	662,108	203,850	22,548	226,398	2.92	
2002	1,654,976	952,850	702,126	262,282	71,740	334,022	2.10	
2003	1,395,379	931,056	464,323	266,221	58,770	324,991	1.43	
2004	1,471,822	1,136,972	334,850	45,959	52,632	98,591	3.40	
2005	1,357,237	1,074,976	282,261	49,900	51,069	100,969	2.80	
2006	1,293,184	1,181,895	111,289	49,899	49,323	99,222	1.12	
2007	1,464,100	1,134,362	329,738	51,212	47,527	98,739	3.34	
2008	1,576,985	1,303,023	273,962	53,838	45,632	99,470	2.75	
2009	1,518,889	1,270,943	247,946	55,152	43,559	98,711	2.51	

Chestnut Grove Cemetery Fund								
Fiscal Year June 30,	Service Charges	Operating Expenses	Net Available Revenue	Debt Service			Coverage	
				Principal	Interest	Total		
2001	\$ 281,064	\$ 226,980	\$ 54,084	\$ -	\$ 11,051	\$ 11,051	4.89	
2002	269,526	214,612	54,914	23,485	41,200	64,685	0.85	
2003	332,862	238,965	93,897	25,758	31,189	56,947	1.65	
2004	310,216	264,399	45,817	26,515	30,364	56,879	0.81	
2005	474,525	300,663	173,862	28,788	29,463	58,251	2.98	
2006	469,000	369,329	99,671	28,788	28,455	57,243	1.74	
2007	606,799	353,710	253,089	29,546	27,419	56,965	4.44	
2008	472,053	415,793	56,260	89,468	106,669	196,137	0.29	
2009	573,029	447,881	125,148	90,225	104,730	194,955	0.64	

## Notes:

- (1) Utility service charges includes all revenues of the fund except gains on sale of capital assets.
- (2) Operating expenses are exclusive of depreciation and amortization, interest expense and losses on sale of capital assets.
- (3) The bonds for the Chestnut Grove Cemetery Fund were issued in fiscal years 2001 and 2007 with the first principal payments due in fiscal years 2002 and 2008, respectively.

**TOWN OF HERNDON, VIRGINIA**

**Table 15**

**DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS  
(Unaudited)**

Fiscal Year June 30,	Population	Personal Income (000's)	Per Capita Personal Income	School Enrollment	Unemployment Rates
	(1)	(2)	(2)	(3)	(4)
2000	21,655	\$ 1,024,411	\$ 47,306	151,418	1.5
2001	21,784	1,089,962	50,035	154,523	1.6
2002	21,925	1,138,587	51,931	158,331	2.5
2003	22,542	1,183,320	52,494	161,385	3.4
2004	22,564	1,222,224	54,167	163,286	3.1
2005	22,765	1,326,425	58,266	164,195	2.7
2006	23,087	1,428,139	61,859	164,408	2.5
2007	23,217	1,476,114	63,579	164,284	2.2
2008	23,367	1,581,736	67,691	166,307	3.1
2009	23,476	1,662,617	70,822	169,538	3.4

Sources:

- (1) Town of Herndon, Community Development.
- (2) Fairfax County Department of Systems Management for Human Services, U. S. Census Bureau's American Community Survey.
- (3) Fairfax County Public Schools, Office of Finance.
- (4) Virginia Employment Commission, Annual Unemployment Statistics (not seasonally adjusted).  
Rate is as of December 31 of the previous calendar year.

**TOWN OF HERNDON, VIRGINIA**

**Table 16**

**PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO  
(Unaudited)**

Employer	2009	2000
	Employment Range	Employment Range
ITT Industries, Inc.	249-499	-
Town of Herndon	249-499	-
REI Systems	100-250	-
Clear Wireless Broadband	100-250	-
DRS Technical Services, Inc.	100-250	-
Lafarge Corporation	100-250	-
Medical Transportation Services	100-250	-
Guiden Technologies, Inc.	100-250	-
Lafarge Corporation	100-250	-
Medical Transportation Services	100-250	-
North Grumman Corporation	-	Over 1,000
Central Intelligence Agency	-	Over 1,000
U.S. Geological Survey	-	Over 1,000
Global One	-	Over 1,000
Electronic Data Systems Corporation	-	Over 1,000
GTE Corporation	-	801-900
United Airlines	-	801-900
SLM Holding Corporation	-	701-800
Student Loan Marketing Assn.	-	701-801
TRW Inc.	-	701-800

**Sources:**

Fairfax County Economic Development Authority.

Virginia Employment Commission.

Town of Herndon, Community Development and Finance Departments.

TOWN OF HERNDON, VIRGINIA

Table 17

FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS  
(Unaudited)

Function/Program	Fiscal Year June 30,									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Legislative	2.8	3.3	3.2	3.6	3.4	3.6	3.6	3.8	4.1	4.0
Administration:										
Public information (1)	N/A	N/A	N/A	N/A	0.9	1.0	0.8	1.7	1.5	1.5
Town manager	3.0	2.1	2.0	2.0	2.0	2.0	2.0	1.7	2.0	2.0
Human resources	4.2	3.8	4.0	3.5	3.4	3.3	4.3	3.5	3.4	3.3
Information services	3.3	3.9	5.0	6.0	6.0	5.9	6.2	5.9	6.1	6.0
Neighborhood resources	2.3	3.8	3.5	4.1	4.2	4.9	5.3	3.9	4.7	3.5
Town attorney	2.2	2.4	2.5	2.4	2.7	2.8	2.8	2.9	2.8	3.0
Parks and recreation:										
Administration	5.5	6.2	5.2	4.4	4.6	5.5	5.5	4.7	5.5	4.6
Recreation programs	13.3	14.5	15.2	16.4	16.2	15.8	15.9	19.5	20.1	19.3
Community center operations	12.5	11.9	13.0	13.4	13.7	12.9	11.9	12.3	15.9	17.0
Aquatics programs and operations	12.8	12.8	12.9	12.9	13.5	13.1	13.5	11.6	12.9	13.6
Park operation and development	1.7	1.8	2.1	2.0	1.9	2.0	2.3	1.6	1.9	1.1
Finance:										
Administration	1.5	1.6	2.0	2.0	2.0	2.0	2.0	1.4	1.8	2.0
Billing and accounting	4.7	4.6	4.8	5.0	4.6	4.6	4.8	4.6	5.0	5.0
Revenue	2.4	2.0	2.3	3.0	3.0	2.6	3.0	3.4	4.6	3.8
Procurement	1.0	1.0	1.0	1.0	1.0	1.0	0.4	1.0	1.0	1.0
Community development (2)	13.3	14.8	14.9	15.8	16.9	17.2	19.9	21.0	20.3	21.5
Police:										
Field operations (3)	40.4	40.9	43.1	47.0	50.8	48.5	50.5	51.3	46.1	45.6
Support services	25.0	25.4	24.7	25.2	24.4	24.0	23.5	25.1	32.0	33.7
Public works:										
Administration	6.2	6.2	6.0	5.5	6.1	6.9	7.1	6.2	8.2	8.2
Engineering	4.0	4.0	3.8	3.8	4.8	3.9	3.8	4.2	4.6	5.0
Program management	1.8	2.7	4.6	3.9	2.3	3.2	3.1	3.0	2.0	2.8
Building inspections	3.4	3.3	3.9	3.9	4.5	5.0	4.4	4.5	5.2	5.2
Building maintenance	6.2	6.4	6.5	6.8	6.4	6.7	7.0	8.2	8.0	8.3
Grounds maintenance	10.8	10.8	11.1	10.6	11.5	10.5	10.4	10.1	10.1	10.4
Street maintenance	5.4	6.8	8.9	8.5	8.8	8.6	8.2	7.0	7.3	10.3
Refuse/recycling	18.9	15.9	16.3	16.7	15.9	16.3	17.1	17.9	18.1	17.4
Vehicle and equipment replacement	8.4	9.2	9.9	10.2	10.2	10.4	10.2	10.5	9.9	10.1
Traffic engineering	2.7	2.7	2.2	2.4	3.3	4.8	4.0	3.8	3.8	3.8
Right-of-way inspections	2.2	2.5	3.1	3.2	3.0	3.2	3.1	3.1	3.0	3.1





**TOWN OF HERNDON, VIRGINIA**

**OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS  
(Unaudited)**

**Table 18**

Function/Program	Fiscal Year June 30,									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Police:</b>										
Calls for service	22,000	26,300	28,600	33,300	34,100	33,800	33,100	35,000	35,600	33,800
<b>Administration:</b>										
Number of recruitments	94	84	54	74	69	95	78	86	158	93
<b>Building safety:</b>										
Total building permits	408	439	249	278	546	661	685	361	310	168
Total inspections performed	4,548	3,865	4,676	3,304	3,200	5,352	3,628	3,864	3,628	3,766
<b>Public service:</b>										
Refuse collected (tons)	7,022	5,971	6,068	7,071	6,368	6,380	6,704	6,362	5,817	5,655
Recycle collected (residential and Recycling Center) (tons)	2,878	2,196	2,613	2,886	1,407	2,345	2,340	2,584	2,737	2,427
<b>Parks and Recreation:</b>										
Recreation program attendance	12,512	13,429	14,174	16,412	15,555	18,909	15,841	14,900	15,875	16,703
Herndon Festival attendance	85,000	87,000	90,000	77,000	48,000	83,000	82,000	79,000	85,000	83,000
<b>Water and sewer:</b>										
New utility accounts	21	74	84	111	130	246	72	26	30	24
Average daily water consumption (mgd)	2.17	2.25	2.24	2.29	2.38	2.42	2.39	2.52	2.42	2.30
Average daily sewage treatment (mgd)	2.29	2.06	2.85	3.61	2.78	2.77	2.58	2.48	2.39	2.40
<b>Golf Course:</b>										
Rounds played (18 and 9 hole)	43,280	41,839	44,532	35,388	38,303	34,718	31,017	33,705	34,940	32,781
<b>Cemetery:</b>										
Sites sold	111	165	142	154	150	216	164	164	139	147
Interments performed	115	139	108	134	122	139	140	144	102	133

**Sources:**

Town of Herndon Town Manager's Annual Reports for fiscal years 2000 through 2009.  
 Town of Herndon Adopted Annual Budgets for fiscal years 2000 through 2009.  
 Town of Herndon Department of Public Works.  
 Town of Herndon Police Department.

TOWN OF HERNDON, VIRGINIA

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS  
(Unaudited)

Table 19

Function/Program	Fiscal Year June 30,									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	23	25	25	25	27	28	31	33	35	38
Refuse Collection:										
Collection trucks	7	7	7	7	7	8	8	8	8	8
Other public works:										
Vehicles/equipment maintained	353	356	358	365	367	369	370	372	374	375
Streets:										
Primary (miles)	29.9	29.9	29.9	29.9	29.9	29.9	29.9	29.9	29.9	29.9
Secondary (miles)	94.9	95.3	96.8	96.8	96.9	98.1	98.1	98.1	98.1	98.1
Parks & Recreation:										
Parks - number of acres	96.0	96.0	96.0	96.0	96.0	96.0	97.0	97.0	97.0	97.0
Swimming pools	1	1	1	1	1	1	1	1	1	1
Parks with playground equipment	6	6	6	6	6	6	7	7	7	7
Community centers	1	1	1	1	1	1	1	1	1	1
Water:										
Water lines (miles)	75.0	78.0	80.0	82.0	83.0	85.0	87.0	88.0	88.7	88.7
Storage capacity (million gallons)	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
Wastewater:										
Sanitary sewers (miles)	68.0	74.0	75.0	76.0	77.0	78.0	80.0	80.8	81.3	81.3

Sources:

Town of Herndon Town Manager's Annual Reports for fiscal years 2000 through 2009.  
Town of Herndon Adopted Annual Budgets for fiscal years 2000 through 2009.  
Town of Herndon Department of Public Works.



**TOWN OF HERNDON, VIRGINIA**

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**COMPLIANCE SECTION**



**TOWN OF HERNDON, VIRGINIA**

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**INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members of Council  
Town of Herndon, Virginia  
Herndon, Virginia

We have audited the financial statements of the Town of Herndon, Virginia, (town) as of and for the year ended June 30, 2009, and have issued our report thereon dated November 28, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the town's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the town's financial statements that is more than inconsequential, will not be prevented or detected by the town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the town's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control and financial reporting that we consider to be material weaknesses as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. We also performed tests of compliance with the program specific requirements as set forth in the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. However, providing an opinion on compliance with those provisions and specifications was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the town in a separate letter dated November 28, 2009.

This report is intended solely for the information and use of Town Council, management, the Auditor of Public Accounts, and other federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

PBGH, LLP

Harrisonburg, Virginia  
November 28, 2009